FINANCIAL TIMES



Norld Business Newspaper

Michael Jackson

Sony invests in a bruised asset



Losing chains

Trade unions think globally **Visiting Titan**

Fiery descent by parachute Technology, Page 12



Indonesia

Instability below the surface

Survey, separate section

Renault

and GM

to develop

panel vans

in Europe

General Motors and Renault are

forging an alliance to develop and manufacture panel vans.

which are one of Europe's biggest

commercial vehicle markets. The

project, due to begin in 2000, is expected to involve investment of

several hundred million dollars.

The panel van market, which accounts for sales of about 750,000 vehicles a year, is domi-

nated by Volkswagen's Trans porter and Ford's Transit.

The project will give General

Motors its first big stake in the market since it sold its Bedford subsidiary in the UK in the 1980s.

GM will sell the new vehicles under the Vauxhall brand name in the UK and as Opels in conti-

nental Europe.

For Renault the project will

result in a replacement for its Trafic van range, which has been

one of Europe's biggest-selling vehicles in the sector but which

is now more than a decade old.

The venture with GM marks

the end of a long search by Ren-ault to find a substitute partner for exploiting the panel vans

market after its collaborative

vans venture with Daf was

aborted by the collapse of the

Anglo-Dutch commercial vehicle

maker three years ago. GM's decision to seek a collabo-

rative deal follows its rejection of

an alternative plan - to import vans built by GM's Chevrolet

division in North America. As an interim measure from

next year, Renault will supply

GM with the Trafic for sale

throughout Europe badged as

Opels and Vauxhalls, it will replace the Midi van, built at

Luton in the UK by IBC Vehicles.

a 50-50 joint venture between GM

Midi production, which peaked

the 1980s, has virtually ceased, having fallen to fewer than 4,000

vehicles last year. The IBC plant

is now fully occupied with build-

ing the Opel/Vauxhall Frontera four-wheel-drive vehicle. The GM-

Renault agreement also provides

for Renault to supply GM with

Saab refinancing deal, Page 17

Continued on Page 16

larger vans from its Batilly

and Isuzu of Japan.

By John Griffiths in London

Nuclear test ban deal threatened by 'threshold' states

Britain, Russia, China and Pakistan have rejected a plan to begin a comprehensive nuclear test ban even if one or more of eight key countries refused even it one or more of eight key countries refused to join. They are insisting that the treaty be ratified by all five declared nuclear weapons states — the US, Russia, Britain, France and China — as well as by India, Pakistan and Israel, the three "threshold" states capable of building nuclear weapons. Page 16; Deadline drawing near, Page 4

Sanh Automobile is to get an injection of SKr3.48bu (\$524m) from General Motors of the US and Investor, the main arm of the Wallenberg empire, in a refinancing deal that opens the door to an eventual complete takeover by GM. Page 17

larged interest rate raised: The Bank of Israel raised the key lending rate by 1.5 percentage points in a message to Benjamin Netanyahu'a government that it must tackle economic problems and implement budget cuts. Page 16; Christopher picks up Mideast peace baton, Page 4

Germany lifts hopes of economic upturn: The German economics ministry reported "isolated signs" that pointed to "a gradual stabilisation". raising hopes that the country may be starting to pull out of its economic downturn. Page 2

Few offers for MGM: Only a handful of bidders had expressed interest in the French-owned MGM film, television and distribution group as the deadline for offers passed. Page 20

Europe to approve weather satellite: Europe is expected to approve a Ecul.9bn (\$2.3bn) system of weather satellites to help produce more accurate weather forecasts and answer longstanding US complaints that Europe does not provide its fair share of meteorological observations. Page 2

Nigeria moves to improve image Nigeria attempted to



improve its human rights image by releasing two political detainees in the run up to a meeting with Commonwealth foreign ministers in London. Nigeria's foreign minis. ter, Tom Ikimi (left), insisted his country was already returning to democracy after several countries threatened to

impose sanctions against the military regime in Lagos. Page 4

Aérospatiale and Dassault deal likely: French defence minister Charles Millon said an agreement for state-owned Aérospatiale and privately-controlled Dassault Aviation to merge their aircraft activities is close. Page 19; Lex. Page 16

Britain opposes lifting of whaling ban: Britain toughened its opposition to a resumption of commercial whaling at the opening of the International Whaling Commission's annual meeting saying it would oppose any move to lift the decade-old moratorium. Page 4; Editorial Comment, Page 15

East Asian barriers 'distort trade': A Swedish study has accused East Asian economies of erecting barriers which distort international trade and blocking expansion by European companies.

Sol Meliá, the Majorca-based hotel group scheduled to begin trading on the Madrid stock exchange next week, has raised \$275m through a record-breaking initial public offering. Page 18

Countries question death of Burma envoy: Denmark and Norway will send envoys to Burma to seek a full explanation for the death in prison of their shared consul, Leo Nichols, a friend of prodemocracy leader Aung San Suu Kyi.

Clinton's poli lead cut: President Bill Clinton's lead over likely Republican nominee Bob Dole has dropped to 5.6 percentage points in a poll released by the John Zogby Group International which had Clinton leading Dole by 44.5 per cent to 38.9 per cent. Clinton wins time in sex harassment suit, Page 5; Family values in Nashville, Page 16

 $\gamma \sim 4$

Seeds lose at Wimbledon: Former Wimbledon champion Andre Agassi, the third seed, was one of four men's seeds knocked out on the opening day of this year's championships. Also eliminated were sixth seed Michael Chang, eighth-seeded Jim Cou-rier and France's Arnaud Boetsch, seeded 15.

England and India draw Test: England drew the second Test against India at Lord's. England scored 344 and 278-9 to India's first innings total of 429. England lead the series by 1-0 with the third and final Test staring on July 4 in Nottingham.

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Prices dip on fears that Sumitomo is unloading part of huge holding

TUESDAY JUNE 25 1996

Copper falls to 2½-year low

By Richard Mooney in London iko Terazono in Tokyo

Copper prices fell yesterday to 2% year lows as traders responded to fears that Sumitomo Corporation, the Japanese trading bouse, might bave started unloading some of its buge holdings of the metal.

A 5 per cent fall in the morning extended to 27 per cent the decline that began on June 6 after Sumitomo revealed it had made unprecedented losses on

The three months delivery prica on the London Matal Exchange dipped at one point to \$1,785 a tonne before bouncing to end in after hours "kerb" trading at \$1,818 a tonne, down \$73 from

Friday. LME traders said the fall had

been triggered by a narrowing in copper ahort-term price premiums.

which suggested that the tight supply situation was easing, perhaps in response to sales from Sumitomo's holding.

the London exchange have been unusually thin in recent weeks. so selling did not have to be very heavy to send prices sharply lower, analysts noted. Sumitomo yesterday main-tained that losses linked to trad-ing by Mr Yasuo Hamanaka, its dismissed chief copper trader,

were atill about \$1.85n, but admitted that "total trading losses may fluctuate in line with world copper prices". Traders in London and Singa-pore have estimated that Sumi-tomo'a losses may be as high as

LME 3-month price (5 per tenne) Copper trading conditions at 2,400

> than 2m tonnes of copper - about 20 per cent of the total used in the western world each year.

"Our copper positions in the market are very complicated including options and awaps. The Financial Times's \$4bn and have said that the comestimate of \$4bn sounds too pany may have control of more

The company refused to disclose its copper positions and said: "It could move the market if

Sumitomo announced that it would rotate its commodity and currency traders within a fouryear period in order to prevent the recurrence of the losses ed by Mr Hamanaka, who had done his job for a decade without even taking bolidays. Under the new rule, managers

of commodities, including nonferrous metals, sugar and rubber, and financial trading divisions, will have a four-year time limit and their subordinates will be replaced within three years.

Meanwhile, Germany's metals

trade association, Verein Dentscher Metallhandler, wrote to the LME last week to complain about extreme volatility in cop-per prices and increased margin

calls - deposits required for

trades.
"The exchange's traditional clientele... are now faced with the alternative to cease using the LME or face tremendous cash-flow problems which can even lead to bankruptcy," the VDM said in its letter.

Police in the US state of Vermont yesterday said they had

conducted a review of an investigation into a 1991 fire that claimed the life of Mr Paul Scully, a US copper trader. Police said the review confirmed initial findings that both the fire and M.

Scully's death were accidental. Sgt William Merritt of the Vermont police said reports saying the case had been re-opened in response to the Sumitomo copper inquiry were wrong.

Commodities, Page 26

Zyuganov issues call for coalition to govern Russia

Move seen as act of desperation by Yeltsin's Communist rival

By John Thombill in Moscow

Mr Gennady Zyuganov, the Communist party candidate in Russia's presidential elections, yesterday issued a bizarre appeal to all political forces to unite around him to avert a national

The move was widely interpreted as a desperate attempt by Mr Zyuganov, who is well behind President Boris Yeltsin in the opinion polls, to revive his flag-With only a week of campaign-ing possible before the run-off

vote between him and Mr Yeltsin on July 3, Mr Zyuganov has no plans to hold election rallies and is almost invisible in the media. "The situation in the country is developing in such a way that

Russia is confronted with great difficulties. No single force is in a dominant position," he said. He suggested one-third of the government should be composed of ministers drawn from his "national patriotic" bloc; one-third from other political parties in the parliament, and the rest

from the present government. Mr Grigory Yavlinsky, who came fourth in the presidential elections, suggested Mr Zyuganov's proposal reflected the

weakness of his position and was an attempt to seize the centre ground of politics.

"I think Zyuganov really fears very much a possible defeat at the polls. He has every reason to fear," Mr Yavlinsky said.

Mr Zyuganov also floated the idea of a national pact to recog-nise the legitimacy of all forms of ownership, and make the government more accountable to parliament. It was not clear whether Mr Zyuganov's blueprint would of his victory or was an indirect overture to Mr Yeltsin.

Mr Zyuganov's proposals echo those of a group of 13 leading bankers who have for months been pressing for the formation of a government of national

The bankers' proposals are believed to have found favour with some of Mr Yeltsin's administration. They were particularly popular with Mr Alexander Korzhakov, former head of the presidential security guard, and Mr Oleg Sockovets, former first deputy prime minister, who were sacked by Mr Yeltsin last week. Mr Yeltsin appeared to reject any possibility of compromise,

Voters doubt market view, Page 3

Gennady Zyuganov at a press conference in Moscow yesterday: with only a week of campaigning possible before the run-off vote with President Boris Yeltsin, the Communist party candidate has no plans to hold election rallies and is largely invisible in tha national media



April 1996. This announcement appears as a matter of record only

BHF Charterhouse CCF



£142 million sale of WH Smith Business Supplies Limited



Charterhouse Bank Limited advised WH Smith Group ple



Charterhouse Bank Lumined is Regulated by The Securities and Futures Authority. 1 Paternoster Row, St Paul's, London EC4M 7DH.

Nabisco to shed 4,200 jobs in efficiency savings drive

By Richard Tomkins in New York

Nabisco, one of the world's biggest food groups, yesterday became the latest US company to downsize whan it announced plans to cut 4,200 jobs from its workforce of 54,000.

The cuts will be split evenly among the US and other countries. Some company offices will be closed, a number of low-volume products will be dropped, manufacturing and dis dropped, manufacturing and dis-tribution will be streamlined and the sales organisation will be

Charges associated with the restructuring will wipe out most of Nabisco's profits this year, but the company said the cost would be justified by efficiency savings in later years.

Nabisco's reorganisation comes when corporate downsizing has come under fire in the US. Some politicians and economists have accused companies of sacrificing the long-term health of their industries for short-term gains in

But Mr John Greeniaus, Nabisco's chairman and chief execu-tive, said the move was necessary to improve the company's competitive position and to accelerate "strong, sustainable earnings growth" into the next century.

We would have liked to have done this without terminating any employees, many of whom have spent a number of years with the company and made posi-tive contributions," Mr Greeniaus

"However, the fundamental changes that we must make require a leaner workforce," he

Although separately quoted, Nabisco is 80 per cent owned by RJR Nabisco, the US tobacco and food group. RJR Nabisco has come under increasing pressure to spin off Nabisco completely and yesterday's move is likely to be seen as beloing to prepare the food company for independence. RJR Nabisco's share price was up \$% at \$33 in early trading yes-

Nabisco's brands include Ritz savoury biscuits, Planters nuts and A.1. sauce. The company kets, with 49 per cent of savoury biscuit sales and 37 per cent of sweet biscuit sales, according to Chicago-based Information

Resources. Last year, Nabisco increased net income 18 per cent to \$314m before extraordinary items, but the company's performance in recent quarters has disappointed investors because of tough price competition in the US nut and savoury biscuft markets. Yesterday, Nabisco said it

would take a restructuring charge of \$428m before tax in the second quarter to June. With other costs, net income would be reduced by \$338m, or \$1.26 a share.

However, Nabisco said these costs would be offset by savings flowing from the restructuring. On a pre-tax basis, these were expected to be \$50m this year, tarday, while Nabisco's was up \$160m next year, and \$200m a

their share prices.	\$% at	\$36.	year thereafter.					
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LORDON - LEEDS - PARES - FRANKFORT - STOCKHOLE - MADRIO - REW YORK - LOS ANGELES - TORYO - MONE KING

Ministry reports growth in orders and better retail climate

Signs of life in German economy

Hopes are growing that Germany may be starting to pull out of its economic downturn. While acknowledging continued weakness in the economy, the German economics ministry yesterday reported "isolated signs" that pointed to "a gradual stabilisation". These follow a 0.5 per cent contraction in real gross domestic product in the first quarter of this year and e stagnant economy in the two preceding quarters. in its latest monthly report,

Germany's

unions to

fight shop

hours plan

set the planned extension of

opening hours from 6.30pm to

Spm on weekdays and from

At a joint news conference,

Ms Wiethold and Mr Hnbert

Gartz, deputy leader of the

white-collar workers' union

DAG, also called on the Bund-

esrat, the second chamber of

the German parliament, to

vote against the bill when It

considers the legislation on

The Bundesrat, which repre-

sents the federal states, has the power to delay the bill and to

raise the hurdle that it must

to become law. However, Ms Wiethold was

taking no chances yesterday. She said the HBV would

and leisure time system" to be

negotiated with the employers.

obliged to work late more than

two evenings a week and

should normally have every

other Saturday off. Those

working the extra hours

should be given up to 55 per

cent more free time in compen-

In addition certain employ-

ees, such as single mothers,

pregnant women, the disabled and those with elderly depen-

dents, should be exempted from having to work late.

Gartz mentioned the interests of consumers during their

Both union leaders appeared

hopeful that the Bundesrat

would disable the shop hours

bill. A majority of states in the

second chamber are controlled

by the opposition Social Demo-

cratic party, which last week

voted against the bill in the

Among CDU state leaders

Mr Erwin Teufel, the prime minister of Baden Württem-

berg, has said that he is very

unhappy with the govern-

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Bundestag.

Neither Ms Wiethold nor Mr

Shop workers should not be

2pm to 4pm on Saturdays.

been a "marked growth" in foreign orders for German manufactured goods since late autumn. Domestic orders had grown somewhat in recent months and the business climate in the west German retall trade had "clearly improved" aince the start of the year.

The ministry admitted that industrial production was sluggish, "although the decline vis-ible up to last antumn had

had improved in recent months, although this, the ministry said, was only because businesses were trying to catch up production losses caused by the harsh winter. Although cautious, the min-

istry's report was somewhat more positive than the Bundesbank's latest assessment of the economy. A week ago, the cen-tral bank damped hopes of an early resumption of economic growth with a monthly report that sighted "rays of light" but

230,000 - western Germany accounting for 160,000 of the

cause of concern. With the end

of the harsh winter, it had

become clear that the increase

in unemployment since last

autumn was largely structural

rather than seasonal. Com-

pared with the end of October

last year, seasonally adjusted

unemployment had risen by

registered unemployed at the warned yesterday that there end of May were a continuing would be no upturn in demand would be no upturn in demand for labour before next spring Only then would economic recovery and this year's modest wage increases of just under 2 per cent have a positive impact.

It forecast that unemployment would average 3.94m this year, some 330,000 more than in 1995, and would decline only moderately to 3.92m next year. The Kiel-based institute-said GDP growth would slow to 0.6 per cent this year from 1.9 per cent in 1995 before picking up

extend a hand of friendship to

the Chinese when, during his

most recent visit last Novem-

ber, he inspected a Chinese

infantry division, becoming the

first head of government to do so since the Tiananmen Square

Beyond that, both countries emphasise the value of

long-term perspectives and

have worked on a number of

joint initiatives ranging from

telecoms projects to co-opera-

tion among army officers, the latest stage of which was also called off yesterday.

While officials in Bonn say

the closer links with China are

designed to help the world's

most populous nation find its

way on to the world stage after

years of isolation, husinessmen

hope that the steady improve-

ment of long-term links will

land large contracts, such as the hoped-for sale of the Inter-

CityExpress, the German high-speed train.

The opposition Social Demo-

crats have threatened to make an issue of relations with

China in the Bundestag later

this week. There were also

signs yesterday that several parliamentarians were

incensed at China's reaction.

Mr Burkhard Hirsch, a mem-ber of the small Free Demo-

cratic party well known for his human rights credentials,

demanded that other European

parliaments pass motions simi-

lar to the one approved by the

Bundestag in an effort to sway

Officials in Bonn insisted,

however, that China would not

loosen its grip on Tibet, the Himalayan region it invaded in

1950, just one year before it is

dne to win hack control of

One former German ambassa

dor to Beijing warned that humans rights "could not be

the Chinese regime.

killings in 1989.

Foreign investors pump cash into

Ireland's success in attracting foreign investment continued best result in 21 years.

The figures underscore the European Union.

Ireland, the second smallest country in the EU, secured 14 per cent of all new investment in Europe in 1995, focused on electronics, pharmaceuticals, teleservices and financial ser-

The IDA estimates it is in competition with the various

Ireland

apace in 1995. The industrial Development Agency yesterday reported a record 11,500 new jobs from 114 projects, the

booming economy, which grew at 7.5 per cent last year, and give e fillip to a coalition government anxious to maximise job creation at a time when unemployment is running at 12.7 per cent of the workforce, the second worst rate in the

vices, according to the report.

The results confirm Ireland's position as one of the leading locations for foreign-owned software companies. (It now comprises 40 per cent of all such US investment in Europe) and in telemarketing, where Ireland now accounts for 20 per cent of Europe's international call centres for airlines, hotels and other service companies.

Poreign investment plays a much larger part in Ireland's balance of payments than that of other EU states, accounting for two thirds of manufactured exports, 55 per cent of manufacturing ontput and 45 per cent of manufacturing employment. US companies account for 60 per cent of existing

UK agencies for 80 per cent of the projects. It believes the main draws are its offer of a 10 per cent corporate tax rate, available to all manufacturing companies until the year 2010, and a young and educated

Recent years, have been marked by a shift to service industries, with the IDA trying

The agency says 60 per cent of the investment approvals were for existing operations, underlining the growing willingness of foreign multination als to deepen their roots in the local economy. In line with this, the sourcing of local components has donbled since 1988, with foreign investment companies now spanding 152.12bn (\$3.3bn) on Irish ser-

in a separate report, the Institute for World Economy, since ceased". Activity in the recessionno clear indication of a breakone of the country's leading through. The ministry said the 3.82m plagued construction sector economic research institutes, to 26 per cent in 1997. Bonn's relations with Beijing head for a prolonged chill

Michael Lindemann reports on a setback for a Kohl policy priority

Bonn and Beijing edged closer towerds a protracted breakdown By Peter Norman Germany's retail and white in relations yesterday when collar trade unions yesterday several German ministers promised a fight over plans to called off visits to China and liberalise shopping hours, and warned that they would demand compensation for their other joint initiatives because

of a dispute over Chinese pol-icy in Tibet.

The construction and envimembers if the law were ronment ministers said they approved. Ms Franziska Wiethold, a would not visit China, and Mr leader of the retail, banking Klaus Kinkel, the foreign minister, whose own forthcoming and insurance workers trade union (HBV), virulently visit was called off by Beijing opposed the bill agreed by the at the weekend, said it was Bundestag in Bonn last Friday. She threatened industrial still unclear whether President Roman Herzog would proceed with e visit planned for action if employers failed to agree generous free time to off-

Chancellor Helmnt Kohl. meanwhile, issued a statement registering "his regret and incomprehension" at the Chinese decision to call off Mr Kinkel's visit. He hed ettempted last week to distance himself from the parliamentary motion on Tibet which sparked the row. His statement said that the

motion deploring China's "violent suppression of Tibet" which was passed last week with strong cross-party support hy the Bundestag, the lower house of parliament, "did not warrant such a decision". The fact that Mr Kohl has become embroiled in the row

clear in the Bundestag, the lower house of parliament, to an absolute majority of 337 of over Tibet suggests that relations between the two coun-Because only 327 MPs voted for the hill last week and tries are likely to worsen further before attempts are made hecause several members of to repair the damage and resume - as both sides have stressed - their previously Chancellor Helmut Kohl's Christian Democratic Union dislike the plans, opponents of good relations. the legislation hope it will fail

Bonn politics are not known for their excitement but there was unusual suspense vesterday as observers waited to see how Mr Kohl would react to German relations.

Would the chancellor stand full square behind Mr Kinkel, his foreign minister, who admitted he had mismanaged events before the motion by agreeing government funding for a conference on Tibet in Bonn? After Chinese protests, the government withdrew its funding for the conference. Mr Kohl's statement, when it finally came, did provide the



Germany's foreign minister Klaus Kinkel, whose planned visit to

necessary support for his foreign minister, even though the chancellor had been careful to keep his sppearance at the Tibet debate short and uneventful Instead of assuming his usual seat to the speaker's right, he sat et the back of the chamber chatting to other parliamentarians while Mr Kinkel criticised China and be

Getting on well with the Chinese has been one of Mr Kohl's top foreign policy priorities. The effort has been crowned with four visits to Beijing since he came to power in 1982 and he has worked hard to foster trade with China.

Last year, total trade exceeded DM26bn (\$17bn), more than double its level five

rammed down Chinese throats". "Our relations will suffer for quite a while, but the Chinese are realistic and have certain expectations of the Europeans at a time when their own rela-tions with the US are unusually bad," the former ambassa-

By John Murray Brown . in Dublin

workforce.

Mr Kieran McGowan, the IDA chief executive, sald that the improved picture had been achieved despite a slowdown in worldwide semiconductor demand, Companies were starting to review their planned investments in new worldwide capacity, he added, but forecast the overall results this year would be "at least as

good as 1995". particularly to persuade companies to set up their "back offices" in Ireland.

vices and supplies a year.

Parties dismiss Eta truce offer

EUROPEAN NEWS DIGEST

Spain's main political parties dismissed the announcement of a one-week truce by Eta, the illegal Basque separatist organisation, as a manoeuvre aimed at undermining regional inter-party discussions on terrorism this week.

Through the radical Basque daily Egin. Eta announced "e temporary suspension of armed actions" until midnight next Sunday, challenging Spain's new centre-right government to state publicly its intentions for overcoming the conflict

between the Basque nation and Spain.

A government spokesman described the initiative, the first truce since 1988, as "a trap". Other parties said it was a cynical move, especially as a prison officer was still being held hostage by Eta after being kidnapped five months ago.

Hostagen the Reserve Nationality party, one of the regional However, the Basque Nationalist party, one of the regional forces supporting the Popular party government in Madrid, described the truce as "positive" despite its short duration. Etc is seeking a reply to proposals issued last year, when it tried to hlow up Mr José Maria Aznar, now prime minister. Its

demands focus on acceptance of the Basque right to opt for

EU pact on terrorist extradition

The European Union yesterday agreed a draft convention on extradition to help avoid situations where suspected terrorists wanted in one EU country could be set free in another. Officials said the agreement was based on a French proposal for resolving concerns about double jeopardy and the extradition of a country's own nationals.

The convention is seen as essential to avoid a repeat of a diplomatic row which earlier this year almost scuppered the Schengen open-border agreement between seven EU countries. The dispute began when Belgium refused to extradite a couple agreement of between the countries. suspected of having taken part in an attack by the Basque separatist group, Eta

Kurds ambushed after congress Three Kurdish activists were shot and killed in an ambush in

central Turkey yesterday as they drove home from the annual congress of Hadep, a Kurdish political party.

No group claimed responsibility for the killings, but human rights groups have linked similar attacks in the past to far-right members of the security forces. Turkey's security forces said up to 10 gruppen fixed on the car with supporting forces said up to 10 gunmen fired on the car with sutomatic weapons near the city of Kayseri. Hadep said it regarded the ettack as an act of revenge for anti-Turkish demonstrations at the party conference where hooded activists tore down the Turkish flag and hoisted the flag of the Kurdistan Workers party (PKK). The PKK has been fighting a 12-year separatist war in the mainly Kurdish southeast.

Police later arrested 30 Hadep officials, accusing them of separatism, considered a terrorist offence under Turkey's

Ukraine tries to boost sell-off Mr Leonid Kuchma, the Ukraine president, has extended the deadline for Ukrainians to pick up privatisation certificates by another three months, to broaden participation in the

country's sell-off programme. By last week, 71 per cent of Ukrainians had collected the free certificates entitling them to acquire shares in state-owned companies, and public interest has grown in recent months after some initial apathy. The mass privatisation programme picked up pace this year, with 600

companies up for sale through certificate auction each month.

Mr Yuri Yekhanurov, chairman of the state property fund, said 2,048 large companies had been sold by the beginning of June, which should enable the World Bank to approve a \$310m large this year. loan this week. Mr Yekhanurov said the government would shortly approve 180 of Ukraine's best companies for sale by tender to foreign investors. Matthew Kaminski, Kiev

German telecom tariff row ends Germany yesterday settled a six-month-old dispute with the

European Commission when it agreed to allow Deutsche Telekom, the state-owned telecoms group, to introduce rebates for corporate clients on November 1 and not January 1, 1996. as originally planned.

with a regulatory committee, oversees the telecoms market. said Deutsche Telekom would have to begin talks with leading companies like Thyssen and Mannesmann to reach new agreements about the discounts. Michael Lindemann. Bonn

Trade gap with EU shrinks



Portugal's imports from its key commercial partners in the European Union, and a slight increase in the pace of its exports to Union states in the first quarter, trimmed the country's trade deficit by 13.7 per cent to Es303.3bn (\$1.9bn)

compared with a year ago. The national statistics institute said yesterday that the deficit with in the first quarter, 20.4 per cent less than a year earlier. The deficit with non-EU members assed by 3.9 per cent to the deficit with EU members

Source: ME : Me on 1986 over 1985 eased by 3.9 per cent to Es137.4bn. AP. AP, Lisbon Switzerland's narrowly defined M0 central bank money supply rose to a seasonally adjusted SFr31,124m in May, up by around SFr300m from April and 3 per cent higher than in the fourth quarter of 1995. The national bank said sight deposits were SF12,806m in May. Cash in circulation averaged SFr28,087m, or 2.9 per cent above the level a year earlier. The

Europe plans \$2.3bn weather satellites

By Clive Cookson, Science Editor

Europe is expected tomorrow to give preliminary approval for e Ecul.9bn (\$2.3bn) system of weather satellites, to help produce more accurate weather forecasts and satisfy a ongstanding US complaint that Europe does not provide its fair share of meteorological

The 17 members of Eumetsat, the agency responsible for European weather satellites, will vote to open the industrial

council meeting in Darmstadt, Germany.

The proposal is to build three satellites, for launch from 2002, to orbit the globe from pole to pole, providing cloud images and meteorological measurements from a height of 850km. They will be Europe's first polar satellites.

Eumetsat currently operates a geostationary satellite. Meteosat-5, which orbits 36,000km above the equator. Its speed exactly matches the rota-

procurement process for the tion of the earth, so it always European Polar System at its hovers over the same spot. The agency has already approved a new generation of Meteosat geostationary satellites for launch from 2000.

Meteorology requires observations from both geostation-ary and polar satellites - and over the past 25 years Europe has relied on data from US polar satellites. Dr Tillmann Mohr, Eumetsat director, said Europe was responding to pressure from the US government to make a fair contribution. The system is expected to

cost a total of Ken'l 9hn (includ- be about \$200m) (\$306m). "The ing an Ecu450m contribution total amount we spend on from the European Space Agency) to build and run over 15 years. Matra Marconi Space, the

UK-French company, is carry-ing out initial design studies

for the programme, and it will he in a strong position to become prime contractor. Professor Julian Hunt, chief executive of the Meteorological Office and head of the UK delegation to Eumetsat, said the total UK contribution to the European Polar System would

weather satellites is likely to go up from about 12 per cent of the Met Office budget new to 18-19 per cent by 2000," said Prof Hunt. "But that's because at the moment we get a free benefit from the US satellite He said benefits from satellites for commuterised forecasting had been "disappointingly small" until recently. But the sophisticated instruments on the new generation of satellites would make them much more

Hopeful prognosis in Belgium for continental health

They are not quite trumpeting it yet. But Belgian Tett and Neil Buckley on encouraging indications in a beliwether economy gian policymakers now

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GERMANY:
Responsible for Advertising Colin A. Kenhave more reason to smile. After the economy slid quietly into recession last year. hints emerged yesterday that it GERMANY: Responsible for Advertising Colin A. Ken-nard, Primer. Hürriyet International Ver-laggereilechaft mbH. Admiral-Rosendali-Strasse 3a, 63263 Neu famburg (SN 0174 7363. Responsible Editor: Richard Lam-bert, o'o The Financial Times Limited, Number One Southwark Bridge, London may be gathering pace again. The central bank's monthly survey of the economy almost the only up-to-date indicator - showed that overall sentiment rose slightly in May.

And with the rise following a

significant upturn in April, it encouraged the belief that the

downturn may be easing. Such news is undoubtedly a huge relief to the Belgian government, which needs healthy growth in the economy this year to meet the conditions for European monetary union However, and more significantly, it may also be good

For though Belgium is one of the smaller European economies, lis economic perfor-mance is often a good indicator of the broader trends shaping the Continent. The reason for this is that it

is not only beavily dependent on trade with its large neighbours, but it is also dominated hy industries producing raw materials or semi-processed goods. These sectors tend to suffer first when manufacturing companies reduce stocks. Last year, for example, Belgian gross domestic product fell in the second and third quarters, well before the downturn in Germany or France. However, these sectors also

out to be one of the first clear signs that business demand is improving elsewhere on the Continent For the moment, however, these suspicions can be little

more than just that. For example, the Belgian central bank's own economic indicator, which is compiled from survey evidence, suggests that the trends are still patchy. Although the construction sector has rebounded strongly in recent months, actual manufacturing orders are only improving slowly. However, the biggest prob-

lem in drawing firm coucln-

sions is that there are few hard

upturn in Belgium may turn are six months out of date. And while the fourth quarter gross domestic product figuresshowed a quarterly increase of 18 per cent, there are no first quarter data available yet. Against this background, the Belgian authorities themselves remain cautious. "There are

some signs of an upturn. But we have to be very careful still," said one senior government official But, with the government due to unveil its 1995 public finance figures later this week, much is resting on even these

> The government initially expected growth to be about 2.1 per cent this year. At this level it projected that it could achieva the Emu condition - a

cent of gross domestic product - in 1995, a year before it needs It later revised down its

growth forecast to 1.6 per cent.

However, the European Com-

mission is now projecting growth nearer 1.1 per cent this The government hopes the. final outcome will be nearer 1.8 per cent. But even if growth is only 0.3 percentage points

slower than expected this year, it will harm the public finances by about BFri5bn (\$475m). Part of this will be offset by lower interest rates, which have reduced the cost of servic-

ing Belgium's huge debt. However, some officials suspect that the slowdown means that budget savings may need

larger than the BFreohn recently suggested by the gov-ernment. Slower growth makes it harder to reduce the deficit cause tax receipts are lower and welfare costs are higher. The government insists that these reductions will be possihle. Mr Jean-Luc Dehaene, the prime minister, recently sought and won from parliament special powers to legis-

late by decree in economic matters, enabling the government to make adjustments and extra savings even during the summer parliamentary recess. Meeting the ambitious hudget deficit target is a corner-stone of Mr Dehaene's strategy

to ensure Belgium is in the first rank of countries qualifying for monetary union. The Country's debt to GDP ratio, st

133.5 per cent, is still well above the 60 per cent level stip-ulated for Emu. However, the government increasingly believes other EU countries will ignore this problem since it hopes to show that its debt ratio will have fallen by 10 percentage points by 1997, while its deficit will be well below 3 per cent.

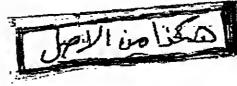
But as Banque Bruxelles Lambert in Brussels points out, there are few easy sources of revenue or cuts to improve the finances: income taxes are already higher than the everage in Germany, France and the Netherlands, while social spending is lower.

And with a background like this, the government could face some difficult budget decisions in the coming months even if the latest hints of growth turn out to be genuine.

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typically tend to perform well production figures to support news for Continental Europe early in economic upturns. the surveys. The last available industrial data, for example, public sector deficit of 3 per to be some BFr10bn-BFr20bn Consequently, the hints of an

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Russian voters doubt market view of easy Yeltsin victory

To rationally-minded western investors, who bave bid np the local stock market to dizzying heights, the outcome of Russia'a presidential elections is perfectly clear.

Mr Boris Yeltsin topped the first round of voting with 35 per cent and has successfully co-opted Mr Alexander Lebed, the former general, who cama third with 14 per cent.

By ditching three hardline supporters last week, Mr Yeltsin has also moved to appease his liberal critics. That should win the support of many of the 7 per cent of the voters who acked the fourth-placed Mr Grigory Yavlinsky, wbatever

he might say.
The latest opinion poll, condocted by the VTsIOM organisation between June 18-20, forecasts Mr Yeltsin could win 53 per cent in the second round compared with 34 per cent support for Mr Gennady Zyuganov, tha Communist party

Other polls, too, suggest Mr Yeltsin is well in the lead even if some of them suggest be is still short of an absolute

appear overwhelming, it also appears too simple to many a Russian mind. There has been no end to furious speculation about alternative endgames in the electoral battle.

Some of Mr Yeltsin's supporters thamsalves believe they are far from assured of victory. As they see it, Mr Zyuganov won 24m votes in the first round and may well be able to attract several million more disgruntled voters from the ranks of tha defeated

Russla's 108m registered electors could easily give Mr Zyuganov a total of 28m votes, which, under soma circumstances, would be enough to

If a combination of voter fatigue, official apathy, and the weather reduces tha voter turnout from 70 per cent to 50 per cent, then Mr Zyuganov's well-disciplined cohorts could

Mr Yeltsin's supporters are therefore desperate to mobilise the vote. They have been able to switch the polling day from a Sunday to a Wednesday when they assume more people will go to the polling stations. They are also organising a series of politically-oriented But whila such logic may rock concerts to help persuade

young voters to turn out. Mr Yuri Luzhkov, Moscow's combative mayor and strong supporter of Mr Yaltsin, yesterday made an impassioned plea for Russians to vote at this "critical moment in our Fatherland's history" and "not allow the future of the country to slip out of our hands".

"The vote of each one of you can be decisive," Mr Luzhkov

But the danger of voter disillusionment appears strong given the antipathy felt towards both candidates by many Russians. In particular, it is unclear how motivated the supporters of tha eight defeated presidential candidates will be to vote in the second round.

r Lebed's sway over his supporters, for exampla, does not even fully extend 200km out of Moscow to his own parliamen-tary constituency of Tula. A straw poll in the streets of the dusty military town last week found Mr Lebed's supporters were far from guaranteed to line up behind Mr Yeltsin as the former general commands. Mr Valery Shestakov, a 54year-old odd-job man who

backed Mr Lebed in the first

sia, says he would now vote for Mr Zynganov. "Lebed says he will fight against crime and corruption. But the biggest criminal in Russia is Yeltsin for starting the war in Chechnya and they say Chernomyr-din [the prime minister] is a billionaire. Will Lebed arrest

them both?" be asks. Mrs Tamara Yurishcheva, a fierce Lebed loyalist and head of his local campaign team, admits a lot of his supporters wera in shock when they learned ba had moved into the

president's camp,
"Many people were crying when they heard tha news and did not know what he was doing," she says, "There is a possibility that our people sim-ply will not vote,"

If Mr Yeltsin's private opinion polls do turn gloomy, few rule out the possibility that the president would look to cut a pre-election deal with Mr Zyuganov - especially after the Communists yesterday opened the door to the formation of a coalition government in return for amendments to the Constitution. But for the moment, a buoyant Mr Yeltsin appears to have more zest for the fight than Mr Zyuganov and is

Brussels accuses Kohl of blocking transport networks

The European Commission yesterday pointed the finger at Chancellor Helmut Kohl of Germany for blocking the extra Eculbn (\$1.23bn) funding needed to launch the EU's showcase transport networks.
Brussels officials said yesterday that the

chancellor had changed his mind at the weekend EU summit in Florence after pressure from Mr Theo Waigel, the German finance minister.

Mr Waigel later combined with Mr Ken-

neth Clarke, UK Chancellor, to block the Eculbn funding plan. The deadlock over the trans-European networks was a political setback for Mr Jacques Santer, president of the European

Commission, who thought be could count on Mr Kohl's support.

Mr Santer had hoped to use the launch of the networks as a symbol for the EU's commitment to the region's 18m unem-ployed and to bolster competitiveness in Europe through a so-called Pact of Confi-

dence between governments, employers and trade unions. The Commission took the unusual step yesterday of publishing a list of projects which could have gone ahead if extra EU funds had been made available. At the top of the list was construction work on the

Erfurt/Nuremberg high-speed train in

ships for the Nordic Triangle transport

Brenner Pass; completion of the Brussels-Frankfurt section of the rail-link between Paris and London via Cologne and Amsterdam; acceleration of work on the French and German sections of the high-speed TGV east destined for Kiev and Moscow;

Germany. Other delayed work includes a trial bore of the base tunnel through the

Commission president Jacques Santer saw the launch of the networks as a symbol of the EU's commitment to its 18m unemployed

construction of a trial bore for the base tunnel between Turin and Lyons. Other projects deloyed are conclusion of a financing plan for public-private partnerships on the Athens ring road; launching of studies on the interna-tional section of the TGV south; and funds for choosing public-private partner-

projects.

Mr Santer's original proposal was to shift Ecul.7bn of underspending from the

EU farm budget to trans-European net-works and EU research and development. Mad cow disease killed off the plan as estimates for compensation to EU farmers rose to Ecul 6bn this year. Also officials conceded that it would have been very difficult to reach the required unanimity among member states.

Mr Santer's second compromise was to ask member states to commit to the funding of Ecu1bn for TENs networks, but defer disbursement to 1998-99.

This move only required a qualified majority of countries. Germany, Sweden and the UK raised objections, while the

Dutch bad reservations. However, Chancellor Kohl's decision to block was decisive and was linked to the Bonn government's DM50bn austerity plan needed to help Germany meet the Maastricbt targets for Europeao monetary union, said an official.

German officials said in Florence that the networks had received generous support from the European Investment Bank, and the delay in launch was due to the lack of compatible national standards as well as insufficient confidence among private investors.

But the European Commission said yesterday that the Eculbn would bave acted as a catalyst for more funding from the private sector.

Gummer to seek 5%-10% cut in gas emissions by year 2010

Global warming call for EU

By Leyla Boutton, Environment Correspondent

Britain will today urge its European Union partners to make a firm commitment to cut greenhouse gas emissions, associated with global warming, by tha year 2010. Mr John Gummer, the envi-

ronment secretary, will ask the EU to urge the developed world to cut its emissions by between 5 per cent and 10 per cant by 2010. "If the EU does not call for a reduction, nobody will," said one UK official yes-

Today's meeting of environment ministers in Luxembourg is the EU's last chance to agree a common stance before international climate change talks in Geneva next month. Many developed countries

which was entered into at the Rio de Janeiro environmental summit in 1992 to cut emissions to 1990 levels by the year 2000. The Geneva talks aim to edge closer to agreeing reductions for the next century at a final round of negotiations to be held in Japan next Novem-

Mr Gummer's initiative is unambitious for Britain, which is likely to have virtually achieved the proposed cnts as early as 2000 - thanks in large part to its switch to gas-fired power stations. It expects its emissions by the year 2000 to fall 4-8 per cent below 1990

But Mr Gummer will argue that this modest stance is the least the EU can do to take the lead on global warming in the absence of leadership from the

He will say that it is not realistic to ask developed countries to do more, given that many, including the US, will not even be able to cut emissions to 1990 levels by the year 2000. Calling for modest precau-

tionary measures that will cost nothing - such as more effi-cient use of energy - a UK official said that there was "no political mandate for painful action" on global warming because few people took it seri-

"Many people assume that the effects of climate change will be benign - the Costa del Sol coming to Brighton. But aven small changes in climate and temperature can have big effects on people's lives and not all of them will be pleas-

International scientists warn that the earth's temperature

could rise by 2°C over the next century unless action is taken to stabilise emissions of carbon dioxide and other gases generated by the consumption of fossil fuels.

However, today's meeting is likely to show just bow divided EU nations remain.

Denmark wants a radical 50 per cent reduction by 2030. At poorer EU nations such as Portugal, Ireland, Greece, and Spain want to continue increasing their emissions in order to catch up with their richer EU neighbours.

The UK believes it will have the support of Germany and the Netherlands, but not France and Sweden, which may find it harder to achieve further reductions because of their heavy reliance on nuclear

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Iraq to

arms sites

trag, in an important

concession, has agreed to allow the United Nations

inspectors immediate unrestricted access to all of its

weapons sites, it was amounced last night. Mr Rolf Ekeus, head of the UN inspection commission

who negotiated the agreement which he and Mr Turic Ariz, the Iraqi deputy prime minis-ter, signed in Baghdad on Sut-

urday, called it very signifi-

It appeared, he said, to

allow

access

By Yaroslav Trofimor

Mr Warren Christopher, US secretary of state, arrives in the Middle East today for the first time since the right wing won the Israeli election and disrupted the delicate USsponsored peace process.

The visit comes in the wake of the Arab summit in Cairo, which warned Israel that the Arab world might "reconsider" progress towards the normalisation of relations with the Jewish state if the new government in Jerusalem reneges on its commitments to trade land

On his first stop, in Jerusalem. Mr Christopher is due to meet with the newly-elected prime minister, Mr Benjamin Netanyahu. The two will try to defuse tension in bilateral ties caused by the almostmopen tion by the US to Mr Netanyahu's rival, former prime min-

"Mr Christopher is basically ing on and what the new Israeli government is going to do - and he will be asking very specific questions, such as what's going to happen with the pullout from Hebron," said Mr Barry Rubin, a political scientist at Israel'e Bar flan University.

Significantly, Mr Christopher also scheduled to meet in Cairo tomorrow with Mr Yassir and Mr Hosni Mubarak, the Egyptian president - will not be going to Syria. Securing a Syrian-Israeli peace deal was a key purpose of Mr Christopher's two dozen missions to the region since 1992.

However, the already stalled peace talks between the two neighbours now appear completely deadlocked as Mr Netanyahu's government rules out any territorial compromise over the Golan Heights, cap-tured by Israel from Syria in

fails to ministers Mr David Levy, Israel'e foreign minister, who raised diplomatic hopes last week by saying that Israel might meet Syria "half-way" on the Golan problem, backtracked yester-

By Bruce Clark in London and Paul Adams in Lagos

Nigeria tried to shore up its battered image by releasing two political detainees in the run-up to a meeting with Commonwealth foreign ministers that began yesterday in Lon-

However British officials said the release of Mr Tunji Aboyami and Mr Abdul Oroh, as well as other gestures by the Nigerian regime, fell far short of the timetable for democracy which Lagos should adopt to avoid the risk of further sanctions.

Britain and seven other Commonwealth members threatened in April to recommend a broad range of punitive measures against Nigeria'e military leaders - but they also offered the Lagos regime the chance to argue its case. Mr Tom Drimi, Nigeria's for-



Tom Ikimi, Nigeria's foreign minister, with other Commonwealth ministers in London yesterday

eign minister, insisted angrily that democracy was already returning to his country as he began talks yesterday with his counterparts from the UK, Canada, Zimbabwe, Jamaica, Ghana, South Africa, Malaysia and New Zealand.

The eight countries make up the Commonwealth Ministerial Action Group, which was formed last November after

Nigeria was suspended from the club of former British colonies because of the hanging of writer Ken Saro-Wiwa.

In recent efforts to parry international criticism, the Nigerian government has restored the right of courts to demand access to detained persons, and removed military officers from the special tribnnals of the kind that con-

However, Mr Ramaker has

conceded China's demand for

PNEs to be automatically con-

sidered by the first treaty

review conference after 10

years, even though a consen-

sus requirement makes it

almost inconceivable that PNEs will ever be allowed. Sev-

eral countries, among them Japan, Australia and Canada,

are adamantly opposed to any

mention of PNEs in the treaty.

The officials said that if the two-day London talks brought no satisfaction, Britain would suggest that the Commonwealth as a whole to endorse the sanctions already adopted by the European Union. These include a suspension

and reliability of their nuclear

· Verification. The western

powers want tough vertication

measures with quick approval

by the treaty's executive coun-

all for on-site inspections if vio-

lations are suspected. China.

Russia Pakistan and India are

insisting on a two-thirds major-

ity in favour, an almost impos-

Mr Ramaker has proposed authorisation of on-site inspec-

stockpiles.

sible condition.

resolve a problem that had bedevilled inspection operations, most recently ear-lier this month when the UN was barred by Iraq officials from entering a suspected of high-level visits, sporting weapons site.
"I have full confidence that contacts, military links and

this will hold," Mr Ekeus added However he told report-ers that the commission remained convinced, despite Baghdad's denials, that prohibited biological, chemical and other wespons were being concealed. The accord could enable inspectors to ferret nuclear weapons. But the nuclear tests are essential to ensure the continued safety

He and Mr Aziz would meet every other month to review the situation, because only practical experience would demonstrate whether fraq was playing its part in the agree-

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Violence 17

If Iraq "came clean" at last, the commission would be able to certify to the Security Council that all material prohibited under the consellre resolution bad been identified and destroyed. This could open the door to the total lifting of

So far there has been only a tions by a simple majority of the executive council. But partial relaxation to allow China shows little sign of giv-Iraq to sell up to \$250 of oil to ing way. "If China doesn't buy food and medicines. Details for implementing that plan are still being worked move," says one western negotiator, "I don't think there will

Britain hardens stance on whaling

Britain yesterday toughened its opposition to a resumption of commercial whaling telling the International Whaling Commission it would oppose any move to lift the moratorium which has been in existence for the past decade.

Mr Tony Baldry, the UK's Whaling, he said, "meets no

Mr Baldry put this view in a written statement on the opening day of the International Whaling Commission's annual meeting in Aberdeen, Over the next few days the 39 members

The moratorhum en comme cial whating was imposed in 1986 because of the sharp decline in stocks of most whales. However Japan does a small amount for what it terms scientific reasons, and Nerway, which never accepted the moratorium, in 1893 resumed killing a small min-ber of minke whales.

stocks of some species of whale, particularly the minice whales, have now substan-tially recovered, though others are still in danger.

This week's meeting will review the main aspects of whaling but is not thought likely to agree on a revised management programme, a long-standing source of dis-cord in the IWC.

Deadline for nuclear test ban accord drawing near Deal is closer than ever, but success is still not guaranteed, writes Frances Williams

ore than 40 years after India first proposed a ban on all nuclear testing, a comprehensive test ban treaty is within the world'e grasp. Yet, just days before the deadline of Friday for completing the pact, success is still not guaranteed.

In the new political climate of the post-cold war era, the auguries for concluding a test ban accord have rarely been more auspicious. Four of the five declared nuclear weapons states - the US, Russia, Britain and France - have imposed voluntary moratoria on further testing and China has now announced it will join them after its 45th nuclear explosion in September.

After two and a half years of talks, negotiators in the 61member United Nations disarmament conference in Geneva are racing to meet a June 28 deadline set with the aim of producing a treaty for signature at the 51st UN general assembly in September

view of most disarmament Arabia and South Africa. experts, halt the nuclear arms race by preventing the testing of new types of atomic weapon, and mark a decisive step on the road to eventual nuclear disarmament.

Failure could set back nonproliferation and disarmament efforts for years to come. But divergences over the details of the treaty text could still sink

· Entry into force. The draft released yesterday compiled by Mr Jaap Ramaker, the Dutch diplomat chairing the talks, retains the provision for entry into force after ratification by all 37 countries that have nuclear test monitoring sta-

These include the fiva nuclear weapons states and the "threshold" states of India, Pakistan and Israel as well as countries such as Canssembly in September. ada, Egypt, Germany, Iran. A test ban pact would, in the Japan, South Korea, Saudi

However, this formula leaves the treaty hostage to the

day under Mr Netanyahu's

pressure, saying that meeting half-way merely "means you

Mr Netanyahn is expected to

discuss a potential impact of his hardline policies on the

Middle East peace process in

detail during talks with Mr Clinton in Washington, sched-

Meanwhile, two bombs planted by the Hizbollah guer-

rillas exploded in the Israeli-oc-cupied "security zone" in

southern Lebanon. No one was

hurt, pro-Israeli eecurity

sources said. This was the first

attack since April 27, when, as a result of Mr Christopher's

mediation, Israel ended its

"Grapes of Wrath" military

campaign launched in respons

to Hizbollah shelling of north-

uled for early July.

refusal of any one country to ratify, a danger underscored last week when India said it could not sign the pact as it Last week Mr Ramaker

attempted a compromise.

has indicated it will sign. Despite attracting "wide sup-port" from other delegations,

Mr Ramaker's proposal was firmly rejected by Britain, Russia, China and Pakistan. British officials, denying that their stand is a cynical move designed to ensure the treaty

However, India, with some support from Pakistan and Iran, wants to go further by insisting on a firm commitment by the nuclear weapons states to scrap their nuclear arsenals within a fixed time-pe-

This is unacceptable to the

Success would mark a decisive step toward nuclear disarmament. Failure could set it back for years

Under his complex proposal, if after five years one or more of the 37 had not ratified, the treaty could be brought into force by a two-thirds majority of ratifying states - but any country that objected could refuse to be bound by the pact until its own conditions were

Thus Pakistan has said it

will never enter into force, say without the eight nuclear and threshold states the treaty would be "pointless". Disarmament. Non-aligned

states have pressed for the treaty to be placed firmly in the context of eventual nuclear disarmament. Otherwise, they say, it will

be simply another non-proliferwill not sign the treaty without ation measure designed to pre-India, which exploded a serve the nuclear advantage of ation measure designed to pre-

five declared nuclear powers, and judged unrealistic by most other nations.

· Scope. China's decision earlier this month to drop its insistence on permitting "peaceful nuclear explosions' (PNEs) means that all five nuclear powers now agree on a zero-yield treaty that would ban "any nuclear test explosion or any other nuclear explosion". This is the lan-

A second problem on scope relates to demands by India, Pakistan and Iran that the ban should apply to all nuclear

tests including computer simulations and sub-critical tests, not just nuclear explosions. (In sub-critical tests, the bomb ingredients do not produce a chain reaction and explode

with no nuclear yield.)

The three countries argue that the wider ban is essential If the treaty is to stop the

be a treaty." "It's going to be a complicated game," says Mr Ramaker, the long-suffering chairman. "But I still believe we will have a successful outcome on June 28."

Fear and loathing bring bad omens for Burundi

Ithen, in the hours before curiew, that a deep chanting echoes across Lake Tanganyika. The sound, full of the promise of future violence. comes from the troupes of young men jogging in close formation through what is now

an almost entirely Tutsi city. These are the civil defence units set up at the prompting of Mr Antoine Ndawayo, Burundi's Tutsi premier, ostensibly to improve security. In fact, say locals, they have been recruited from the extremist militias of Bujumbura and their members are behind the growing number of assassina-tions of prominent Hutus.

As African presidents meet today in the Tanzanian town of Arusha to take stock of what the United Nations has calledan impending disaster and keep former Tanzanian president Julius Nyerere's faltering peace initiative alive, the omens are not good. .

While analysts speculate over whether Zairean President Mobutu Sese Seko, considered a key regional player, will snub the one-day summit -thereby torpedoing the latest in a series of inconclusive peace efforts - the situation on the ground continues to deterorate and the country's Tutsi population is visibly preparing

for the spocalypse.

In the suburbs, families are stocking up on food and water. Local authorities have drawn up plans for the protection of women and children. And the 20,000 strong army, little more than a Tutsi protection force, recently boosted its numbers

People are in a suicidal frame of mind," says a local journalist. They tell them-selves there is nowhere to run to, so they must stay and fight, to the last man." The siege mentality has been

hardening since the Forces for the Defence of Democracy (FDD), a Hutu-dominated rebel force based in neighbouring Zaire, stepped up their cam-paign to destabilise Burundi this spring, extending operations to every province of the country. More than 1,000 people a month - mostly Hutu civilians suspected of collaboration - are dying in tit-for-tat strikes by the rebels and army. Tutsi lear feeds off two tran-

matic events in their history:

Tutsis killed in revenge for the army assessination of Burundi's first Hutu president, and the state-organised genocide a year later of Rwanda's Tutsi population - a terrifying lesson of what could happen to an

Mr Nyerere, who has been chairing talks between the country's two main political parties, compares the Tutsis to man riding the back of a tiger. "The Tuisis in Burundi are genuinely frightened. They cling to power because they believe it is the safeguard of

their security. But they are fer-

elite once it released the reins



Zaire's President Mobuto: may such the one-day summit

tilising that fear, not killing it, because Hutu resentment has to be answered." Fear has lead to inflexibility.

A series of meetings in the Tanzanian town of Mwanza between FRODEBU, the Hutudominated party, and the Tut-si-dominated UPRONA, its theoretical partner in government, have been scoppered by UPRONA's refusal to sign even basic statements of principle. What many regard as Burundi's last chance for peace risks being sabotaged by UPRONA's refusal to talk to Mr Leonard Nyangoma, the former interior minister heading the FDD. A deal bypassing Mr Nyangoma, who has signalled his readiness to talk,

would be meaningless. "If you have a debate which excludes certain people, those excluded people will go off and cause trouble. We must have a debate that excludes nobody," says Mr Venerand Bakevyumusaya, Burundi's Hutu foreign minister. Diplomats agree: "It's not a question of liking or disliking it - Nyangoma cannot

vening is an ominous the massacre in 1993 of 100,000 be ignored," says one. "He has time in Bujumbura. It is Tutsis killed in revenue for the ting table."
The international commu-

nity, mindful of its failure to avert Rwanda's genocide, has been applying carrot and stick tactics in an attempt to push the two sides to agree As an incentive, the UN has

promised hefty financial help to revive Burundi's crippled economy. "We want Burundians to know there is a readiness to move fast and in a very snbstantial way on the economic development side as soon as we have clear demonstration serious political discussion is going on," says Mr Marc Faguy, UN special representative.

The stick takes the form of warnings to the army from top American officials making clear that any government that seized power by force would

Washington and European Union, which until recently provided 23 per cent of Burun-di's GNP, have also put the pressure on by freezing aid. France last month halted military co-operation dating back two decades and also closed its school, a move Belgium will soon follow.

The UN's last card is the threat of a "humanitarian intervention" to halt the killings. But both the US and France - ecarred by experiences in Somalia and Rwanda have said that while they will provide funding, they will not contribute a single soldier to such a force.

increasingly, analysts talk of some violent event - perhaps the assassination of the figure head Hutu president, Mr Sylvestre Ntibantunganya - triggering all-out civil war and the total breakdown of government. The danger, Mr Nyerere points ont, is that Rwanda would immediately be sucked into the conflagration as its army rushed to the rescue of the Tutsis and the exiled Hutu militias in Zaire joined forces with the FDD. "At the moment no one is

talking about the inture. they're just talking about revenge for the past," says a diplomat. "Each side has to accept they are guilty and move on from demanding absolute justice. We need a massive change of heart."

Michela Wrong

By James Buxton in Aberdeen

fisheries minister, said there were now "wider reasons" for opposing commercial whaling than the technical issues on which it has raised up to now. pressing nutritional, economic or social needs, and it is strongly opposed by the vast majority of our citizens

of the commission will attempt to resolve pressing issues on international whaling

Up until recently the UK's

position was that the moratorium should stay in force because of concern about whale stocks and the me used to kill whales and the absence of internationally agreed measures to control commercial whaling. The UK acknowledges that

British officials say the gov-

ernment's new position of objecting to whaling on moral grounds is less ambiguous than the previous one. How ever critics of the UK, such as Norway, believe it is at odds with the objectives of the IWC which are to provide for the proper preservation of whale stocks and "thus make possible the orderly development of the whaling industry".

REPUBLIC OF GHANA

DIVESTITURE OF STATE INTEREST IN ENTERPRISES

REGISTRATION OF PRIVATE SECTOR FIRMS FOR DIVESTITURE SERVICES

he Government of Ghana has, sinca 1988, baen carrying out a programme of privatisation of its state-owned enterprises (SOEs). The Government, through its privatisation agency, the Divestiture Implamentation Committee (DIC), is committed to a further accaleration of the divestiture programme. This is being achieved principally by means of outsourcing some divestitures to the private sector. DIC closely monitors subcontracted work to ensure that it is carried out in accordanca with DIC's procedures and statutory responsibilities.

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- of major assignments; · the firm's current number of permanent professional staff, together with curricula vitae of those persons likely to be engaged on
- the firm's working relationships, actual or planned, with local or international firms;

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E-mail: dlcgh@ncs.com.ch

Accra, Ghana

Clinton wins time in Reform struggles to woo Canadians sex harassment suit

By Jurek Martin in Washington

The White House breathed a sigh of relief yesterday as a Supreme Court ruling made it highly improbable that the sexual harassment suit against President Bill Clinton will come to trial before the November election.

The highest bench agreed to hear oral arguments over whether the case can proceed. but not until its next full term. which begins in October. Under normal court procedure weeks or even months elapse before a judgment is issued.

It will pass judgment on the contention of Mr Clinton's lawyers that a sitting president should not "in all but the most exceptional cases" be subject to, private, civil damages suits until he leaves office.

Their brief states that no president has ever faced such an action and that to sanction such a precedent would open the floodgates to frivolous lawsuits that would impair a president's ability to carry out his constitutional duties.

Mr Mike McCurry, Mr Clinton's press spokesman, said the White House was "pleased that the court has recognised the merit of the petition put for-

ward by the president's attor- dent's chief private lawyer. neys" on what he called "very important constitutional

Ms Paula Corbin Jones, a former employee of the Arkansas government, is seeking \$700,000 in damages from Mr Clinton



Clinton: seeking a delay

for unwanted sexual overtures she alleges the then governor made to her in a Little Rock botel room in 1991. Mr Clinton has denied the incident took place. A federal judge in Little Rock initially ruled that a sitting president could not be sued until he leaves office, but that was overruled in January by a higher appeals court. Yes-terday's action renders moot for the moment the appeals

Mr Robert Bennett, the presi-

had earlier provoked an outcry with a legal brief claiming that, as commander-in-chief, the president was entitled to protection under the 1940 Soldiers and Sailors Act, which permits delays in lawsuits against the military. That tac-

tic was abruptly withdrawn. Ms Jones's lawyers argue that her suit poses no threat to the functioning of the executive branch of government and that to delay the case would prevent ber from collecting evidence before memories fade, documents are lost and wites die or become incapable of testifying".

The Jones case has flickered in and out of public view ever

since she first made her allega tions more than two years ago. It has been kept alive in the rightwing media, though frequently taking second place to Whitewater-related matters. Nevertbaless, should the Supreme Court rule against the president and permit her case to go ahead, even after

November, Mr Clinton would find himself in the embarrass-ing predicament of having to defend himself both in pre-trial evidence-gathering and, quite possibly, in court itself. Progressive Conservatives.

The stakes are high for both A fresh start for Canadians was the theme that Canada's rightwing Reform party chose for its biennial conference in Vanconver earlier this month. In fact, it was Reform itself, that Even Reform supporters only two seats in the House of

have been dismayed by the party's performance since it shot to prominence by winning 52 out of 295 seats in the 1993 general election.

The Calgary-based party has struggled to convince Cana-

dians that it is more than a western populist movement deminated by rightwing farmers and religious fundamentalists. Its MPs have generally been a less effective opposition in the House of Commons over the past three years than the 54 members of the Bloc Quebe-cots, whose main goal is to promote Quebec independence. With the next election no more than two and a half years

needed to freshen up.

and possibly less than a year - away, Reform's future is in the balance. The real excitement of the election will centre less on which party wins than on who brings up the rear. Prime Minister Jean Chretien's Liberals are odds-on favourites to gain a second five-year mandate. The most bruising bettle is likely to take place to the right of the Liberals between Reform and the

parties. The Tories, who held office from 1984 to 1993, suffered a devastating setback in the last election. Although they polled the second highest number of votes across the country as a whole, they won

Commons. A similar showing in the next election could put the final nail in the Tories' cof-Reform's challenge is to bold on to and, if possible, expand suspended for supporting him. A third member quit the party

the bridgebead it gained in 1998. Founded only nine years ago, its strength has so far been concentrated in the west All but one of its 52 seats are in the four western provinces. The party aims to win another 100 seats in the next election, but can do so only by breaking into the industrial heartland of Ontario, which elects 100 MPs. or almost a third of the total.

Disappointment at Reform's recent performance was evident among the 1,200 delegates in Vancouver. Several stressed that the party was still at tha stage of learning from its mistakes. According to an opinion poll earlier this month, support for Reform has slipped to 13 per cent of decided voters, compared with 16 per cent for the Tories, the highest level since the 1993 election. The Liberals remain ahead with 53

of the road. Delegates adopted

toughest lessons last month a platform that emphasised when its MPs bickered publicly over a bill to extend buman rights guarantees in the consti-

tution to homosexuals. One British Columbia MP was suspended from the caucus for suggesting that a shopkeeper would be justified in sending bomosexual or black workers to the back of the store if their presence burt his business. Another was

issues high on most Canadians' priority list, such as fiscal discipline, job creation and crime. They affirmed a policy of moving speedily towards a balanced budget, followed by tax

cuts and a move to a flat tax. By contrast, a resolution proposing that any MP who sup-ports Quebec secession should be expelled from parliament was withdrawn. But whether this will be sufficient to convince voters in Ontario that

Despite the enormous publicity generated by the Vancouver meeting, a Reform candidate came a dismal fourth - behind the Tories - in a by-election last week in Hamilton, Ontario

in protest against the antediluvian views of ber colleagues. Mr Preston Manning. Reform's less-than-inspiring ader, warned his troops that "for a new party to become a governing party, we must first master the government of ourselves . . . maintaining our focus, disciplining departures and diversions therefrom. acknowledging and correcting

our deficiencies rather than denying or ignoring them".

Mr Manning used the Vancouver meeting to try to steer the party closer to the middle

Reform has changed its spots remains to be seen.

The party still has a way to go before it can claim to be a national organisation. More than 60 per ceot of the dele-gates in Vancouver were from the two most westerly prov-inces. Alberta and British Columbia. Scarcely a word of French was beard.

Despite the publicity gener ated by the Vancouver meeting, a Reform candidate came a dismal fourth - behind the Tories - in a by-election last week in Hamilton, Ontario.

Mr Manning's attempt to

could provoke friction between the party leadership and the grassroots.

Reform often boasts of its commitment to "bottom-up democracy". It supports free votes in the House of Commons and the right of constituencies to recall their MPs. However, as the recent suspension of MPs shows. Mr Manning has found it increasingly necessary to crack the whip of

party discipline.

Many Reform members have
no burning desire to moderate their views. A constant refrain in Vancouver was that the party should stick by its con-

servative guns.
The assembly adopted resolutions calling for looser gun controls and for HIV (the virus that leads to Aids) to be classified as a reportable infectious disease. One delegate advocated "sbock treatment" for criminals, in the form of a

20,000 volt shock. Such views remain well to the right of the mainstream. However, the extent to which they hinder Reform's cause will depend partly on the Conservatives' ability to stage a comeback. That should become clearer after the Tories' policy convention in Winnipeg in August.

Bernard Simon

AMERICAS NEWS DIGEST

Carter may be tobacco witness

Former President Jimmy Carter may be called to testify against the US tobacco industry when Mississippi's landmark lawsuit against cigarette makers reaches trial, according to

court documents. Mr Carter's name appears on a list of possible witnesses contained in documents filed last month in Jackson County

Also on the list are numerous scientists and industry employees, including former researchers for RJR Nabisco's

tobacco subsidiary R.J. Reynolds. Until now, the names of farmer R.J. Reynolds employees have not been mentioned among industry insiders who Mississippl attorneys hope will testify.

The state is suing big cigarette makers and other members of the tobacco industry for Medicaid funds spent to treat poor people for smoking-related illnesses. Eight other states already have chosen to follow Mississippi's lead. Others, including Arizona, are also expected to take action.

Mr Carter has said that while president between 1977 and 1981 he felt pressure from the tobacco industry as it sought to avoid regulation aimed at protecting children. Reuter, Jackson

Foreign aid benefits US

Britar

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Foreign assistance programmes benefit the US economy se more than 80 per cent is spent in the US on American goods and services, a trade group said in urging a 50 per cent foreign aid increase.

The appeal was contained in a study published by the Business Alliance for International Economic Development, a coalition representing over 1,000 US businesses. It recommends that the US match the mean level of US economic assistance of the 1960s – about \$18bn in constant 1995 dollars, up 50 per cent from \$12.1bn for the current fiscal

year. Further cuts are expected in the 1997 programme. "US economic assistance helps developing countries build the kind of physical, human and institutional infrastructure necessary to spur their economies, to foster trade and to attract private investment - the very things that make possible American exports and thereby, American jobs," the report said. It said the 1994 aid programme translated into 200,000 US jobs.

Court backs drugs strategy

The US Supreme Court yesterday upheld an important strategy in the war on drugs, ruling that the government can prosecute people while also suing them to confiscate drug-connected property. The double-barrelled legal strategy does not violate the constitution's protection against being punished twice for the same crime, the court ruled in two cases from California and Michigan.

The Clinton administration had argued that federal and state prosecutors should be allowed to seek civil forfeitures in addition to filing criminal charges. Some federal appeals courts said such forfeitures are civil remedies, not

Violence in Quebec City

Rioters broke hundreds of windows, looted shops and set fire to a government building as Quebec's national holiday celebrations turned violent early yesterday.

Five police officers were injured and about 80 people arrested in the rioting in the historic Carre Youville district of

Quebec City's old quarter. The damage was estimated by police at C\$500.000 (US\$368,000).

Police used teargas and water cannons in an effort to control the riot, which started after a concert attended by about 30,000.

people. The violence began when several people began breaking bottles and throwing rocks through windows. Police responded with teargas as rioters tried to overturn cars, broke more shop windows and raced off with store

Chilean growth rate 10.2%

Chile's monthly government index measuring economic growth showed the economy expanded a strong 10.2 per cent in April compared with a year ago, said the central bank in its monthly report.

The figure showed economic growth speeding up from March, when the Imacec index registered an increase of 7.2 per march, when the image index registered an increase of 72 per cent, but slightly lower than the 10.5 per cent growth recorded in February. The image index is used as a rough guide to the expansion of Chile's gross domestic product. Reuter. Samingo

Panama poll cash probe urged

Political opponents of Panama's President Ernesto Perez Balladares have called on lawmakers to investigate the role of drug money in his 1994 campaign.

Mr Perez Balladares acknowledged on Friday that his campaign finances were tainted by a contribution from a company linked to cocaine traffickers, but said the donation was accepted unwittingly.

Over the weekend, the attorney general, Mr José Antonio Sossa, promised a "correct, objective and forceful" investigation. But political opposition leaders said a legislative

commission should investigate instead. Mr Perez Balladares' campaign accepted \$51,000 from a company tied to Mr Jose Castrillon Henao, reputed head of the Call drug cartel's Panama operation.

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Vietnam plans second GSM

Vietnam'a state owned telecommunications monopoly Vietnam Posts & Telecommunications (VNPT), plans to launch a second global system for mobile (GSM) telephone network which would rival one it already operates with Comvik of Sweden. The new system, VinaPhone, will be 100 per cent owned and operated by VNPT, using equipment supplied by Siemens of Germany under a contract worth about \$18m.

VNPT will acquire Stemans emitablish costerns and Motorola VNPT will acquire Siemens switching systems and Motorola

base stations in a first phase which covers 18 provinces Demand for mobile phones is growing rapidly in Hanoi and in Ho Chi Minh City, where Vietnamese businessmen are as likely to buy as foreign investors. Mobile phone ownership is estimated at 35,000 in a total population of 74m.

VNPT aiready runs a GSM network called MobiFone with Comvik, partly owned by Stockholm-listed Kinnevik. This covers about 20 provinces. VNPT's vice director of marketing, Mr Lam Doi, was quoted in a local newspaper as saying that the company had decided to go for a wholly Vietnamese project as a way of avoiding "sharing profits with foreigners". The company has been growing fast and is understood to have a cash flow problem. However, it recently received a \$25m loan from Australia and New Zealand Bank for its expansion

French luxury sales up 4.1%

A strong advance in exports helped French luxury goods makers to record a 4.1 per cent increase in sales in 1995, confirming the sector's rebound from the impact of the Gulf war and the backlash to last year's French nuclear tests.

The 78 member companies of the Colbert Committee - in fashion, perfume, champagne, cognac, jewellery and leather – yesterday reported a combined turnover of FFr34.7hn (\$6.7bn), compared with an adjusted figure of FFr33.3bn in 1994.
Exports rose 6 per cent to FFr26bn – accounting for more than three-quarters of overall sales. Nearly half of these exports -FFr12hn - went to the Asia Pacific region, with Japan

Ecuador agrees to pipeline deal

The Ecuadorean government has reached agreement with Arco and Agip Petroleum over the construction of a 105-mile oil pipeline in the Amazon region. The pipeline, to be constructed by the French-US consortium, will take 160m barrels of crude oil over the next 20 years from the Villano oil fold, where substrated. field, where substantial reserves have been discovered. The pipeline will have a capacity of 80,000 barrels per day and is expected to be in operation by 1999. The deal comes after a \$600m proposal to expand the Transecuadorean Pipeline, which pumps oil across the Andes to the Pacific coast, was halted by labour and congressional opposition, costing the jobs Raymond Colitt, Caracas

■ Bombardier, the Canadian transport equipment group, will build 120 diesel train units worth C\$341m (U\$\$250m) for Deutsche Bahn, with deliveries beginning in 1998. The regional and suburban train units will be built by its subsidiary Waggonfabrik Talbot, in Aachen. Robert Gibbens, Montrea

■ Atlantic Richfield has reached agreement with the government of Qatar for a consortium including British Gas and Wintershall to develop the Al Rayyan oil field in the Arabian Gulf. Arco said the field was expected to start crude oil production in September, with an output of about 35,000 barrels a day. Arco said it has also received approval for a delineation well in a possible southern extension of the Al

Boeing 'still in running' for China jet deal

Boeing of the US says it has not given up hope of being China's partner in the development of a 100-seat jet. But if it is excluded, it may join other Asian countries, including South Korea, in building a new air-

Mr Philip Condit, Boeing's chief executive, conceded in an interview that a preliminary agreement between China and a European consortium to develop a 100-seater,

admitted defeat. "Aircraft develop-. ment programmes frequently take

many turns," he said.

Boeing has suffered in recent months from tension between the US and Chinese governments over human rights violations in China. Mr Li Peng, the Chinese prime min-

ister, bas said Beijing will favour European companies over US competitors as a reward for European governments' "more lenient" policies. Earlier this year, China ordered air to co-ordinate the project.

consortium. Aviation Industries of China (Avic) also signed an agreement with Aero International Regional (Air), which is owned by Aérospaniale of France, British Aerospace and Alenia of Italy, to work on

the 100 seater. -The Chinese said, however, that they had not yet made a final decision on a partner for the 100 seater. They also indicated that if the Europeans were chosen, they would like Airbus

the running to partner the Chinese.

Mr Condit said, however, that there would have to be a "normalisation" of US-China trading relations if Bosing were to win aircraft orders. He was opposed to the US alone

linking trade to human rights in China. He said: "Human rights anywhere in the world are important. "But if sanctions are used on a multilateral basis, they are far more effective in producing the desired result than unilateral actions."

ever, he denied that Boeing had admitted defeat "Airport develop." The European manufacturing too early to say that Boeing is out of ners for the 100-seater, Boeing might admitted defeat "Airport develop." devalop a jet with another Asian

country. China had originally proposed including South Korea in the project, but the two countries have fallen oot over where the jet should be assem-

Mr Condit said Bosing could build a new let with a Korean partner. However, Korea was only one option available. The company could also work with companies in Japan, India or

Main points of the deal

☐ The free-trade agreement between Chile and Mercost sets a timetable of eight years, starting on October 1 1996, to reach zero tariffs on

On the bulk of goods, Chile will cut its tariff from 11 per cent to 6 per cent, while Mercosur will reduce average tariffs to the same level. Chile says about 50 per cent of its exports will fall into this category, and 63 per eight years, tariffa will be reduced progressively to

Two categories of "sensitive" and "extra sensitive" goods will be protected over 10 years. These include products such as poultry, chocolate,

☐ A fourth list of inainly farm goods will keep current tariffs unchanged until year 10, and then reduce them over five years. Wheat and wheat flour will be exempted

☐ The agreement also maintains special conditions for certain products in bilateral and multilateral accords. In these cases. quotas will be set in each

Jilted Chile hitches up to Mercosur hen Chile's President Ednardo Frei cements his country's wedlock with the four-nation Mercosur customs union today, he may take a moment to consider what might have

Chile's first choice of bride had been the glamorous North American Free Trade Agreement - and a future relationship remains possible - but continual stalling by Washing-ton prompted Santiago to hitch up instead with Mercosur, the familiar giri next door.

union, formally founded in January 1995 by Argentina, Brazil, Paraguay and Uruguay, had been courting Chila for some time. But it was quickly determined that full membership would be impossible, given the difficulty of reconciling Mercosur's varied external tariff with Chile's uniform 11 per cent import duty. Instead, negotiators began hammering out the details of "associate Under today's accord,

reached after nearly two years, Chile will join an extended Mercosur free-trade zone, but will continue to act unilaterally in trade arrangements with third countries. Both sides will from October 1 cut tariffs between them to an average 6 per cent on most imports and will, with some exceptions, gradually reduce these to zero over eight years.

Chile's main concern during negotistions was to protect its traditional farming aector, weaker than Argentina's, but a nowerful voice in Santiago Originally, Chile had wanted farm goods such as wheat,



meat and dairy products to be permanently excluded, but it eventually agreed to move towards free trade in these products over 10 to 18 years. For Chilean manufacturers of products such as tomato

paste, wine, shoes and textiles, a Mercosur deal was regarded. Chile before Mercosur came into effect have been periodically renewed, but were due to expire unless a permanent accord could be struck.

Not only trade was at stake.

Many Chilean busineeses,

looking for opportunities. beyond their own restricted tive, getting Chile on board found access to Pacific ports

investments in the region in private pension funds, banking, retail, wine and, especially, in Argentina's priva-tised electricity sector. Far bigger opportunities becken in

"If the world were organised as vital to preserve access to. as it should be; perhaps it the bloc's 200m consumers." would be enough to take the Preferential tariffs extended to . simple decision to open me'e economy unilaterally," says Mr Carlos Miadinic, Chile's chief negotiator with Mercosur, But small countries; standing alone, tend to have their rights trampled by bigger ones, he

From Mercosur's perspec-

goes far beyond the limited commercial advantages of incorporating 14m more conbridging what Mr Klaus Schwab, president of the World Beconomic Forum, calls the 'missing link" between Mercosur and Asia.

the Pacific ocean and Chile has access to the Atlantic ocean," says. Mr Jorge Campbell, Argentina's secretary of international economic relations. This accord has united us in a Big investments will be needed to ungrade road net-

works before Mercosur's new-

creating such an export corridor provides "extraordinary potential" for Mercosur pro-ducers, especially farmers. says Mr Luiz Felipe Lampreia, Brazil's foreign minister. With one of the world's richest agricultural belts, Mercosur's farmers are uniquely placed to meet fast-growing demand for food

in Asia, he says. Chile's incorporation also lends a certain gravitas to Mercosur, bringing into the bloc the region's most stable and successful economy. In this respect, the accord is a coup for Brazil and its vision of a zona. Brazil wants a Sooth American free trade zone in place before negotiations start with Nafta countries, while many in the US has seen an expanding Nafta as the basis for hemispheric free trade.

The deal with Chile should pave the way for a swift accord with Bolivia, and subsequently Venezuela, says Mr Lampreia. Peru. Colombia and other South American states could quickly follow. From there, it might only be a relatively short step to forge links with other regional trade groupings.

Mercosur aspires to be an outward-looking free-trade zone, not a fortress. "It's not our intention to create a closed bloc," says Mr Pedro Malan, Brazil's finance minister. "We don't see any contradiction between our strengthening Mercosur and our desire to open up to the rest of the world." ing sega

COL

David Pilling and Imogen Mark

IN INDONESIA WE PROTECT THE RAINFOREST WITH FISH.

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has resulted

The fish ponds provide a much fresh water. This is only available intact. Which gave WWF good reason to provide plans and concrete for the important to mutivate by physical example than by just giving advice, WWF agricultural extension workers beloed to construct the entire community runs the fish pood programme without

eave the trinforests, write to the



World Wide Fund For Nature (formerly World Wildlife Fund) Secretarias, 1196 Gland

East Asian countries competing unfairly on exports, says study

By Guy de Jonquières :---

competing unfairly by pursuing export drives which depend on maintaining extensive restrictions on imports and inward direct investment in their own markets, according to a study* by the Federation of Swedish Industries.

The study says barriers in east Asia, though often permissible under world trade rules, are distorting local economies and international trade, while pean companies in some of theworld's fastest-growing econo-

"Instead of being based on natural competitive advantage. many exports from newly industrialising countries are based on artificial competitive advantages in the form of subsidies and tariff and non-tariff protection to enhance exportoriented production based on a protected domestic market.

the study says. "Imports are usually concentrated on necessary capital equipment and raw materials used in the new export industries. In the long run this leads to an unbalanced industrial

ble in an open market environ-The hard-hitting study lists many specific alleged barriers in the region: It is particularly striking because the federa-tion, which strongly supports free trade, has not in the past been in the forefront of Euro-

pean groups accusing Asian countries of unfair trade prac-The federation calls on the European Union to press Asian governments more forcefully, in the World Trade Organisa-

tion and in the recently-

launched Asia-Europe dialogue, to end discrimination by embracing fairer, more open

and transparent policies.

The study is published a apore at the end of the year. ment policies and markets in China, Malaysia and Indonesta, and of the experiences of lead-

month before senior Asian and European officials are due to meet in Brussels to discuss closer economic co-operation and the agenda for the WTO's ministerial conference in Sing-The study is based on a detailed analysis of govern-

tries and other parts of Asia. It says the world trade sys tem is being challenged by the "Asian way" of regulation and business practices, pioneered by Japan, and now being foland parts of south-east Asia.

It resulted in the build-up of large trade surpluses by countries which observed the letter of international trade rules but circumvented their spirit by relying on a variety of non-tar-

Tha study says the barriers included "administrative guidance" of industry by governments, legal uncertainty, denial of trading rights to foreign companies, import quotas, discriminatory technical standards and preferential government procurement.

It also calls on Asian countries to simplify customs procedures, treat foreign investment services and enforce intellectual property rights more effec-

Market access in high-growth Asian markets, Federation of Swedish Industries, PO Box 5501. 114 85. Stockholm. Tel:

Washington will push at summit for transitional pact with Tokyo

US expected to raise chips at

Japan's rejection of a US proposal for a transitional agreement governing semicon-ductor trade is expected to be raised by the US at the summit of Group of Seven industrialised nations in Lyons on Thurs-

The current US-Japan semiconductor arrangement is due to expire on July 81. The part is considered an example of "managed trade" because it set a target in this case 20 per cent - for foreign market share in Japan, and the Tokyo government played a major role in boosting

In Washington last week, Mr Yoshibiro Sakamoto, vice-minister of the Ministry of International Trade and Industry, said government involvement was no longer needed in an industry which was increasingly global

The two sides remain far apart, but it is virtually impossible for the US to initiate a new market access complaint under US law or World Trade Organisation rules

because foreign market share has soared above 30 per cent under the current agree-

The transitional pact, proposed by the US, would continue close technical co-operation and design in activities between US and Japanese industries. It would retain only a limited role for government, which would continue to receive sales data and monitor market share. No numerical targets would be set.

"Our goal remains as it has been: to preserve and continue the success made under the current arrangement, expand our co-operation and to build a bridge to the point where no government involvement in this sector is necessary at all," a US trade official said.

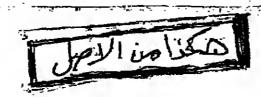
There has not been enough progress on market access in the vehicle sector and in video games. "We don't want to return to the conflict that characterised this sector before the semiconductor agreement, but want one that would reflect the changed conditions in the sector."

Japan his proposed continued co-operation between the US and Japanese private

sectors with government no longer collecting data and calculating market share. It has also tabled a plan to establish a governmental World Semiconductor Council which would include the EU, perhaps South Korea, and later on other manufacturing countries.

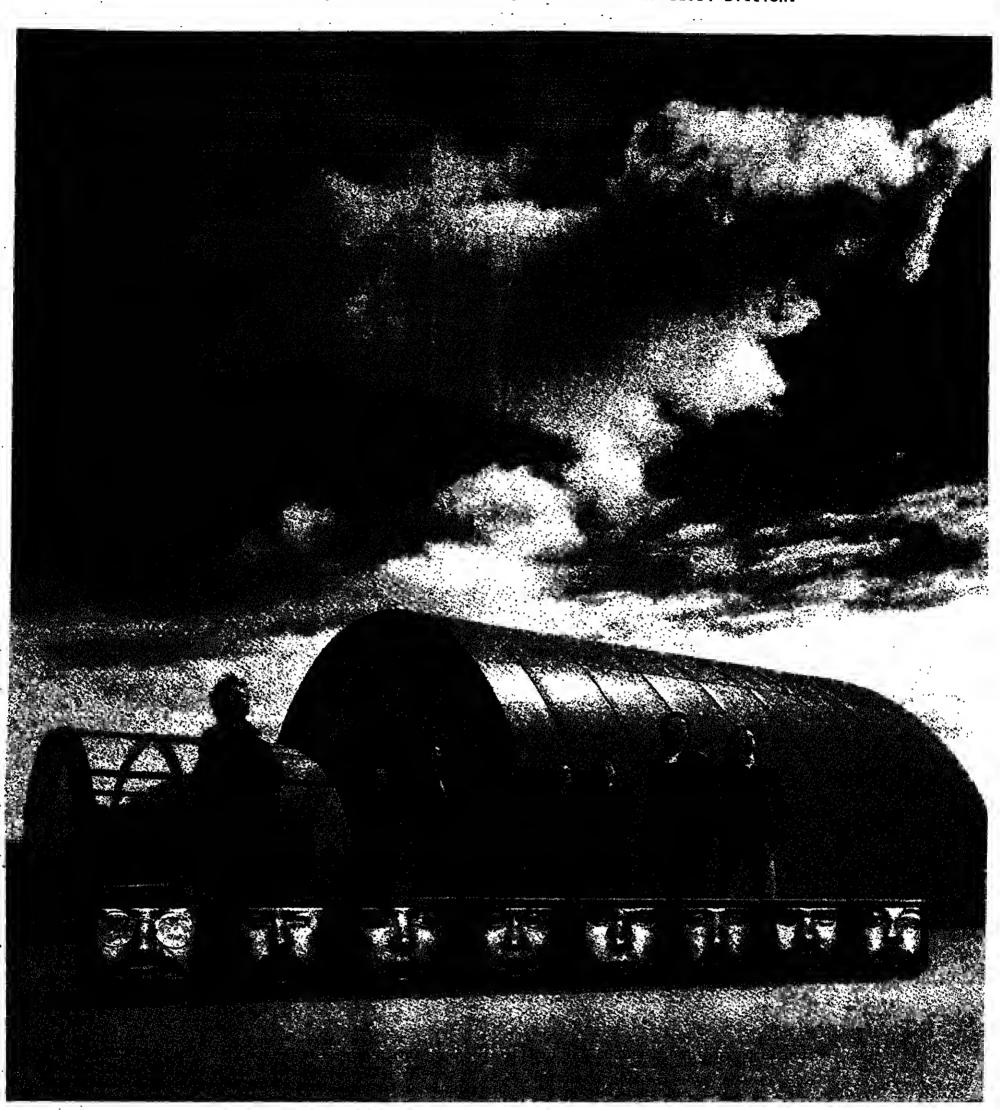
The council would address issues such as standardisation, intellectual property protection and environmental measures. The US official welcomed Japan's movement from an absolutist position that no government role is necessary", but said the proposed world council would not address US concerns about maintaining

and continuing market access in Japan. The EU has for a long time been a critic of the bilateral deal, but has also asked to join the pact. The US transitional proposal calls for "participation of like-minded third parties". However, it also stipulates that countries which join must "have eliminated or made firm commitments to eliminate expeditiously tariffs and other impediments to market access for semiconductors". The EU has yet to eliminate its tariffs on semiconductors.



jet deal

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http://www.lg.co.ke/

Profit and dividend remittances may be as big a problem as country's \$107bn debt

China pressed to boost tax to aid growth

By Peter Montagnon, Asia Editor, in London

China needs to raise government revenue collection by 6 percentage points of gross domestic product if it is to finance the infrastructure and social spending needed to maintain its present high growth rates, a senior World Bank official said in London

Government spending on bealth, education, the infrastructure and poverty alleviation is seriously underfunded because of low tax revenues, Mr Nicbolas Hope, the bank's director responsible for China

fell to only 11.3 per cent of gross domestic product last year from 12.4 per cent in 1994 despite tax reforms introduced in January 1994 which were designed to improve collection, he said.

This also left the government short of money to meet contingent liabilities like pension fund obligations, unemployment payments and redundancy payments.

Improving public finance is the key to economic reform in China, be said. The World Bank estimated that the government could raise the extra revenues required through a combination of measures including: increases organised by the Royal Institute of in value-added tax and income tax,

enterprise tax which would close loopholes, a payroll tax and taxes on pol-

Mr Hope said that China's heavy reliance on foreign direct investment would burden its current account with outward remittances of profits and dividends. Analysts who worried about the growth in China's \$107bn foreign debt overlooked this factor in their calculations.

"The service flows on direct investment may be a much greater problem for China than debt." But he said the Chinese anthorities were aware of this mounting burden

which was one reason why they had

allowed reserves to rise to more than

country's situation was still perfectly comfortable, he said, and service payments on foreign investment should not affect progress towards current account convertibility.

Mr Rajiv Lall, head of Asian eco-

nomic research at Morgan Stanley. said Hong Kong investors were making a return of some 25 per cent on their direct investment in China, which increased by some \$42bn over the past two years.

This implied large repatriation flows which could eventually become a risk for the current account, though much depended on how much of the return was in the form of capital appreciation and bow much profit

Some economists have speculated debit in China's balance of payments figures, amounting to \$16.66n last year, reflect profit remittances of for-eign investors. That would mean China's current account surplus was in reality sharply lower than the 2 per cent of GDP reported for 1995. Separately Mr Gang Yi, deputy

director of Beijing university's China centre for economic research, told the conference that foreign trade accounted for 40 per cent of China's gross national product, much more than Japan at 18 per cent and the US at 16.5 per cent. This suggests its GNP figures are under stated, he said.

ASIA-PACIFIC NEWS DIGEST

Rao's party in push for revival

India's Congress party, mauled in recent general elections, made its first tactical move towards revival yesterday by announcing an alliance with the low-caste Bahujan Samel party to contest forthcoming state elections in Uttar Pradesh the country's most populous state. Mr P. Narasimha Rao. former Congress prime minister, announced the deal with Mr Kanshi Ram, leader of the BSP, which won 11 seats in the 545-seat parliament and largely represents Dalits, once known as "untouchables". Mr Rao said the alliance "could leed to a larger picture", but was so far limited to the expected autumn poll in the state

In the recent elections, Congress' vote there slumped to 8 per cent from 16 per cent, returning five Congress MPs among the state's 85. The BSP has won a consistent 20 per cent of the state's vote. The emergence of the BSP, along with other caste-based parties, has drained the traditional support of Congress in north indian "Hindi belt" states; the alliance is an attempt to recreate Congress's traditional base. It is aimed at forestalling a victory for the Hindu nationalist

Bharatiya Janata party in the state, governed from New Delhi under "president's rule" since the fall of the last state government last autumn – an ill-fated alliance between the BSP and the BJP. Mr Rao faces a rising challenge for leadership of the Congress party, which with 40 seats and 28 per cent of the vote, suffered its worst post-independence showing in the recent polls. Mark Nicholson, Bombo showing in the recent polls.

Indonesia airline to be sold off

Indonesia's state-owned airline Garuda will be privatised in 1998 after restructuring its finances, Mr Soepandi, the company's president, said yesterday. "Garuda will enter the domestic stock markets in 1998 after restructuring its capital and organisation," he told the official Antara news agency. This latest statement of intent comes after one of Garuda's six DC-10s crashed in Fukuoka, Japan, on June 13, killing three

passengers and injuring 110.

Plans had been in band to privatise the national carrier by

1997 but Garuda officials said last year the privatisation
schedule depended on how soon operations were restrictined. The government has said it would pay off Garuda's debts for huving nine aircraft, which would be converted to government-held equity in the company. Garada has nine aircraft on order from Boeing of the US - seven 757-100s, and

Financial scandal hits Nepal

Nepal has ordered the arrest of 100 people samected of involvement in one of the Himalayan kingdom's biggest financial scandals, state media said vesterday. Government investigators have asked police to arrest the suspects for questioning over the Rs2bn (\$35.7m) scandal. Earlier this month, authorities said a government appointed panel investigating alleged fake letters of credit had named 176 business houses and commercial banks suspected of

Foreign currency worth Rs2bn had been sent out of the country in the form of payment for take letters of credit. without any goods actually being imported, they added. The transactions had resulted in a revenue loss of Rs510m to the

"The deflection of a huge amount of foreign exchange has caused a massive loss to the country," the finance ministry said. The scandal has provoked an outcry ahead of the reconvening of parliament tomorrow. Officials declined to name individuals or business houses accused, but said some banks were allegedly involved in breaking rules in opening

Pakistan riots leave three dead

Troops were called to help police after at least three demonstrators were killed and scores of others belonging to Pakistan's Jamaat i Islami fundamentalist political group were either injured or arrested in Rawalpindi, outside Islamabad, yesterday. The clashes occurred during a protest against alleged government corruption and tough new tax measures

announced in the June 13 hudget. Mr Qazi Hussain Ahmed, head of Jamaat-i Islami, condemned what he called the "high-handedness" of police and called for another day of protest across Pakistan today to mourn yesterday's fatalities. Analysts say the protest may trigger fresh political trouble for the government, widely criticised for the recent tough tax measures. The government says it is under pressure to increase tax revenues so if can lower the budget deficit to conform with IMF agreed

ORS: BALANCE OF PAYMENTS

Politics.

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Contracts delay urged on HK\$75bn rail link

By John Ridding in Hong Kong

The Hong Kong government yesterday called on the Kowloon-Canton Railway Corporation to delay the award of consulting contracts for a HK\$75bn (US\$9.7bn) railway project for the territory.

The move followed criticism of the high cost from demo-cratic and pro-Beijing politi-cians and confirmed that the rail link, to be built on the western side of the Kowloon peninsula, will not be completed by the original target date of 2001.

Mr Paul Leung, acting transport secretary, stressed the government remained committed to the project. But he said the time required to complete land acquisition, which would push completion beyond 2001, meant the government-owned KCRC should not proceed with the award of non-essential consultancy work.

Studies should be limited to those essential to minimise the requirements for land purchases and clearance, Mr Leung added. A preliminary estimate by the government's Lands Department concluded this process would take about China has offered to send its leaders to the rebel island of Taiwan, in the first official response to a proposal by President Lee Teng-hui of Taiwan to visit the mainland, Reuter

reports from Beijing. In an interview on the front page of the official People's Daily, the party's Taiwan affairs office responded formally for the first time to Mr Lee's offer in his May 20 inanguration speech to embark on

a "journey of peace" to China. The article repeated China's stand that Mr Lee was welcome to visit in his capacity as chairman of Taiwan's Nation-

Pro-Chinese politicians and newspapers have accused the territory's government of a lack of transparency and of falling to curb costs, prompting comparisons with the protracted, but now resolved, dispute over the building of Hong Kong's new airport.

The government's approval of the KCRC's camouflaged methods of building the Western Corridor Railway is clearly a method to bankrupt Hong Kong before 1997." the pro-China daily Wen Wei Po, said, referring to the territory's alist party, but not as state president.

"We are also ready to accept invitations from the Talwan side to visit Talwan," be said. Beijing has regarded Taiwan as a rebel province, not entitled to a state government or to international recognition. since the nationalists fled there after losing China's civil

war in 1949. It has been enraged by Mr Lee's pursuit of "pragmatic diplomacy" - or unofficial visits to countries with which Taipei has no diplomatic ties that are intended to raise the island's international profile.

return to Chinese sovereignty next year. It attacked the KCRC for the high cost of consultancy fees, estimated at HK\$750m.

Hong Kong's governor, Mr Chris Patten, yesterday dismissed criticisms of the handling of the project. "We've been keeping the Chinese side informed and obviously we'll let them know what the plans and the proposals are," he said. The main decisions on the issue would be taken by the post 1997 administration and the chief executive who will



succeed him, he added. "What I want to ensure is that the chief executive and the administration are in the best position to take the most sensible deci-

Mr Kevin Hyde, KCRC chairman, said the corporation would hold further talks with the government on working out a new timetable for the railway. However, the consultancy studies would certainly be required at some stage. "That work has to be undertaken. It is money that has to

wear, a Pan Asia subsidiary.

vard Business School.

These gains

cheaper labour

the beginning," he says.

exported to the US.

her fellow workers. "It's better

here because I want a family

And, notes Mr Meecbai,

When the girls stay home, the

life." Ms Woranum says.

offset the

elsewhere

 The last session of Hong Kong's Legislative Council before the handover to China is set for June 25 1997, the earliest closure in recent years. according to Mr Andrew Wong, president of the legislature.

The timing is expected to prompt controversy, with some legislators arguing it helps China in its decision to replace the legislature before the completion of its four-year term. Beijing's decision to replace the Legislative Council, which was elected last year, is provthe transfer. Britain and the Hong Kong government have fiercely criticised China's plan to set up a provisional legisla-LegCo usually sits into July, which had raised the prospect of a clash over its replacement when China resumes sover-

intractable problem ahead of

eignty on July 1 next year. Mr Wong, responsible for the timing of the LegCo sessions. declined to comment on the reasons for the proposed June 25 closure until an official ing the most serious and

Deposed leader plans to sue Indonesian minister

By Mamuela Saragosa in Jakarta

Ms Megawati Sukarnoputri, deposed at the weekend as leader of the opposition Indonesian Democratic party. nlans to sue the country's interior minister, who she claims engineered her downfall by sanctioning an filegal rival PDI congress. Mr Yogie Suardi Memet, the inte-

rior minister, legally endorsed the alternative congress.
It is believed the government was

concerned at Ms Megawati's popularity in the run-up to next year's gen-

eral elections. She is the daughter of widely expected to run for a seventh board of the PDI, which is legal and Indonesia's charismatic founding president, Sukarno.

Ms Megawati's supporters have pledged not to vacate the party's headquarters in Jakarta, which was the scene last week of some of the worst rioting in Indonesia in recent Her backers have also encouraged

her to stand against President Suharto at the next presidential elections in 1998.

Mr Suharto has never been challenged in a presidential poll and is five-year term. Dissident members of the PDI. a party that has never been strong

enough to threaten Mr Suharto's posi-tion, elected Surjadi, a deputy speaker of Indonesia's parliament, as party chief at the congress, which ended on Saturday in the north Sumatran city Ms Megawati told more than 3,000

supporters on Sunday that the rebel congress was not valid and she would not leave the party's headquarters. "T am the chairman of the executive constitutional for the 1993-1998 period," she said. Over the weekend, her supporters

staged peaceful demonstrations and marches in the capital and other parts of the archipelago, notably in central

at the potential for further violence.

outside the ruling Golkar party - she is expected to remain politically active and this may lead to further Diplomats in Jakarta said that by bringing the case to court, political tensions surrounding her removal are set to continue. "This could be a long.

effectively been ousted from the for-

mal structure of Indonesia's political

institutions - the PDI and the Mos-

lem-based United Development party

are the only political parties allowed

In Thailand, the companies are migrating to the people

Ted Bardacke spots a trend that could save jobs moving abroad

textile factory on the outskirts of Bangkok is not a pretty sight. Hundreds of young women, mostly migrants from rural Thailand, emerge from a windowless complex to cross a canal that reeks of sewage and industrial waste. Squinting into a sunset enhanced by traffic smog, the workers dart across a 10-lane highway to makeshift boarding houses or to catch rickety

In the shadows, natty men lurk with offers of steady night-time employment for the youngest and prettiest of the women Soon, more may succumb: as urban Thai labour costs rise, reputable but low-skill jobs are in danger of being forever lost to cheaper sites in indonesia, Vietnam

But some footwear and clothing companies are finding that abandoning the wretchedness of Bangkok does not mean giving up the advantages of Thailand, with its fast-growing domestic market and ample export-oriented infrastructure. Instead of moving overseas. these companies are shifting production to rural Thailand, where they are setting up small assembly lines in many of the same impoverished villages that nourished their deep pool of migrant labourers.

Getting these industries to leave Bangkok but stay in Thailand is an important task. Textiles and aboes accounted for 17 per cent of all manufacturing exports in 1995. Relocating these industries to rural areas is a way of keeping a significant number of low-wage

locking-off time at a but export-generating jobs in the country when the urban That economy is in uneven transition to higher-skill and

value added industries.

While Bangkok will hardly notice the loss of a few assembly operations, the impact on the villages is tremendous. More young women are staying in their home villages, keeping families intact and in some cases using their wages as seed capital for expanding agricultural production.

Companies which have relo-cated, including those produc-ing brand-name shoes for the likes of Bata, Nike and Dr Scholl and shirts for such

The rural operations have lower labour turnover

European brands as Ben Sherman and Tom Taylor are finding that small-scale rural assembly can be more efficient and profitable than huge urban factories, largely because they solve a perennial problem in That industry: labour turnover. At a Bata shoe factory

workers live within 7km of the factory and routinely show up for work every day. So far only two have quit, compared with industry averages of 10 per cent turnover a year and absenteeism rates of 8 to 10 per cent a day.

started up six months ago in

Buriram province near the bor-

der with Cambodia, all 163

"It's not like Bangkok at all," says Mr Chaiyachat Wonglittikrai, manager of the Bata fac-tory, which produces 3,000 pairs of school shoes a day. "Here workers don't leave and have time to become multiskilled. So we've been able to re-engineer the whole production process and make only what we need."

About 400 of Bata's Thai workforce of 2,400 are scattered around small factories in Buriram province. Some of the most labour-intensive work aewing aboe uppers for instance - is subcontracted out to small village collectives, where surprising innovation in manufacturing organisation is taking place.

Working on piece-rate, these collectives have organised themselves into efficient small teams each in charge of one facet of production. Bata likes the system because it requires only one supervisor for every 48 workers, compared with one for every 12 under normal fac-

tory circumstances.

"They are doing the most demanding thing in the shoe industry." says Mr Bengt Gunnarsson, managing director of Bata Thailand.

Others have taken notice. Pan Asia, one of Thailand's largest shoe manufacturers, has shelved plans to move its Nike and Marks & Spencer production to Vietnam while it tries the rural Thai approach. Using a main training centre linked with about 10 satellite collectives, Pan Asia is farming out the sewing and assembly of thousands of shoe uppers a

day. Efficiency gains offset the

Mr Surjadi said he was "concerned"

People were still "very emotional" but he hoped that talks would take place "after a cooling down period".

olitical analysts are not opti- lithough Ms Megawati has	drawn-out affair," said one western diplomat.	1
I NIT	ERNATIONAL ECONOMIC INDICAT	r
	of European Contract units (First The Englishment rate of	_

Track Squires are given in be is an index with 1985=100. I UNITED STATES II JAPAN E GERMANY 700.6 108.6 114.8 114.1 113.3 116.1 117.1 120.5 125.3 125.8 132.1 2.2280 2.1279 2.0710 151.51 151.67 183.94 166.44 164.05 130.31 120.99 Vietnam, says Mr Prasong Thanakornnitikul, factors manager at Buriram Pan Foot-The idea of shifting produc-99.3 99.5 100.7 100.2 23.4 22.7 17.5 87.5 a1.2 111.31 225.3 203.7 187.8 182.0 tion to rural areas originated with a non-governmental 4th qtr.1995 1st qtr.1996 organisation, the Population and Community Development Association (PDA), in conjunc-132.9 132.7 193.0 191.1 191.1 192.9 132.4 181.6 131.0 130.8 130.1 129.0 1.3055 1.3192 1.3335 1.2954 1.2772 1.2977 1.2954 1.2758 1.2536 1.2531 1.2421 29,0 32.4 34.0 32.7 32.2 34.6 33.5 33.7 33.8 33.4 33.6 33.2 111.17 29.4 26.7 26.5 26.5 26.9 28.0 111.51 116.38 122.52 128.19 130.78 131.98 129.85 133.43 132.49 tion with students from Har-Mr Meechai Viravaidva. chairman of PDA and a former deputy minister of industry, says PDA's involvement is that of an "intermediary". "Bringing rural villagers and 42.3 big companies together is not FRANCE I ITALY I UNITED KINGDOM 8.7942 6.7948 8.9265 7.0354 7.0169 6.9202 8.9543 8.8420 6.6291 6.5659 3.8 0.5890 -1.3 0.6708 -7.1 0.7047. -25.0 0.6643 -33.5 0.6726 -26.6 0.7150 -11.7 0.7002 -13.4 0.7359 -14.2 0.7780 133.4 127.1 128.3 141.9 162.9 170.1 175.4 182.5 179.8 199.8 221.5 easy. Someone has to be there to facilitate the relationship in 2106.4 2nd qtr.199 3rd qtr.199 55.8 64.8 58.0 57.6 4.2 6.4802 1.0 6.4363 2.4 6.3560 5.6 6.3261 Ms Woranum Nanachart, a 20-year-old with just a primary school education worked for 6.5216 6.4816 6.4424 6.4322 6.4344 6.4104 112,2 113,1 114,3 114,1 113,7 113,6 114,8 114,4 114,4 113,7 2159.8 2161.4 2146.5 2060.2 2062.8 2084.7 2064.8 15.3 16.4 18.4 11.3 15.8 16.4 16.3 15.2 13.6 16.2 17.8 two years in Bangkok before coming back to Buriram to get 0.8359 0.8261 0.8183 0.8224 0.8261 0.8265 0.8254 0.8159 0.8212 0.8201 a job making cheap plastic moulds for costume jewellery 6.3308 6.3269 6.3221 6.3189 6.3434 6.3489 Now she is living at home January 1996 again and hopes to invest in a 2001.4 mango orchard with some of

INDONESIA

Change is in the air

Striking economic achievements have been made, but the country still faces significant challenges in its progress up the development ladder, say Peter Montagnon and Manuela Saragosa

The suddeo death of Mrs Siti Hartinah Suharto from a heart attack in April came as a rude sbock to Indonesians - not because the president'a wife was a particularly high-profile public figure, but because it Suharto, too, is mortal, and that his rule of 30-years must eventually come to an end.

Mr Suharto has still not signalled whether he will stand for a further five-year term

and the to be sold of

Secondal hits News

Sant Carry It 2

when his mandate expires to 1998, but, even if he does, most now assume that term will be his last. Attention has already begun to focus on the otherwise trivial question of his choice of vice-president.

That person will effectively be his designated successor. and the choice may shape the country for years to come.

transition will occur remains wide open, but it will pose

year - are other tasks if Indonesta is to move further up the development ladder. Riddled with corruption, the country badly needs better law rcement and a more rational approach to policy-making. Mr Suharto's eventual successor may also be expected gradually to open up politics as a newly-affluent middle class demands more self-determination. But be will need the skills to do so without upsetting the military which still guarantees

surface.

Indonesia's stability. This is not to belittle President Subarto's achievements. He will be remembered for maintaining order in a huge country, divided by race and religion. He has brought Indonesia from the ranks of the poorest to the verge of middle income status. Per capita income is now almost exactly \$1,000, not much compared with South Korea or Taiwan but ahead of China and India.

have any lasting impact on the

political scene, last week's

anti-government riots were a

stark reminder that instability

lurks close beneath Indonesia's

Adding to the existing policy

Striking progress has been made in economic deregulation, first of the financial sector and more recently of the real economy. Steep cuts in tariffs have surprised many used to thinking of Indonesia as an inward looking country content to live off its abundant natural resources.

One of Mr Suharto's enduring legacles will thus be an economic modernisation that has pushed up Indonesia's sustainable growth rate. Crosby Securities recently put that rate at 8 per cent - coincidentally the figure achieved last year - compared with 6 to 7 per cent previously.

Record inflows of foreign investment bear this out. Approvals jumped to \$39.1bn last year from \$23.7bm in 1994 between the central bank and

some formidable challenges. and are still growing at an Though they look unlikely to annual rate of 17 per cent. Though only about half of the projects approved are ever realised, this still provides a substantial flow which will lay the groundwork for future growth.

But the prevailing mood is one of change. Dissatisfaction at indonesia's pervasive corpriorities - to complete the economic deregulation under ruption is growing. Separately way since the late 1980s and to there is dismay among the educated middle classes at the blafind jobs for a workforce that tant, if perfectly legal way in which the president's children increases hy some 2m each use their political connections to further their husiness ends.

While Indonesia hegins to resemble a more modern economy, policy-making remains anything hut modern. President Suharto is autocratic and his decisions often appear arbitrary. Typical is a controver-sial concession to his youngest son Hutomo Mandala Putra earlier this year, granting him tax breaks to manufacture a chean astional car.

The move came out of the hlue and deeply upset Toyota. which manufactures the Kijang, Indonesia's most popular current model. It brought sharply worded complaints from some US companies as well as the Japanese government and the European Union who fear it conflicts with Indonesia's World Trade Organisation obligations. Sanyoto Sastrowardoyo,

Indonesia's investment minister, retorts the concession is open to any company that can meet the local content conditions. Indonesia, which spends \$5bn a year on component imports needs an indigenous car industry as Asian markets open up. Besides, he says, the move has had no discernible impact on investment so far.

But international executives cite other examples of capriclousness. While tariffs bave generally been falling, the government last year granted tariff protection to Chandra Asri. a petrochemical project also with connections to another of the president's sons.

More general worries about the unpredictable behaviour of the authorities are also rife: witness the recent dispute ating arrangements with



President Suharto shares a joke with airforce chief, General Sutria Tubagus (right) and armed forces come president's eventual successor may have to open up politics without up

the police over the bank's right to order banks to block accounts where fraud is suspected. The central hank is esponsible for bank supervislon. But the police refused to back its request to Standard Chartered Bank to hlock an account containing funds which were allegedly caught up in a wire transfer fraud. and the British bank found some of its assets seized with police support.

Optimists say policy decisions such as those on the national car are becoming rarer. They stand out in a more market-driven economy. But Indonesia would become more attractive base for export-related manufacture if rules were more transparent and enforced. Mncb investment is designed to serve the domestic market. Despite its large market Indonesia was never in the running for GM's new Asian car plant.

Private sector capital is at last helping to upgrade Indonesia's deficient infrastructure. Two large financing deals have been signed in the last year for the Paiton power project. Tel-kom, the newly-privatised utility has signed a string of operforeign companies.

But such ventures will require large imports of capital goods and nnly generate rupiah returns, todonesia has a large savings/investment gap. Its current account deficit, currently about 3.5 per cent of GDP is expected to remain wide for some time.

The deficit was easily financed last year, thanks to capital inflows which also allowed a \$2,7bn increase in reserves. But it will require careful management, especially since Indonesia already has \$100bn of foreign debt.

Indonesia must watch its competitiveness in the export market, but wages have been rising fast. Perbaps with a view to next year's parliamentary election, which Mr Subarto's Golkar party still seems bound to win, the minimum wage has been increased effectively by 30 per cent this year.

While there is no shortage of unskilled labour, there Is a massive sbortage of skills. Many of Indonesia's few accountants have migrated to the deregulated financial sector, leaving other sectors strug-gling to find repiscements. But perhaps the largest chal-

sition will be political. Mr Goenawan Mnbammad, former editor of the banned Tempo magazine, fears an explosion of tension on three fronts: racial sparked by resentment against the economically successful ethnic Chinese, religious as Islam takes a stronger hold on politics, and regional as sepa-

ratists flex their muscles. But Mr Goenawan is a noted pessimist, A common view in the business community is that affluence has given Indonesians a growing stake in stability, which will ensure the transition passes smoothly. At this stage it is anybody's guess who

is right, but the risks are large. Indonesia has had no experience of political transition for the last 30-years, and the last one was bloody and chaotic. It is not for nothing that the expression "to run amok" is an Indonesian one.

The next president will bave to be a person of extraordinary stature. None of those presently in the frame appear to have the skills. But then there may be some unknown leader lurking in the wings, much as Mr Suharto himself was 30 years ago. No one would then have guessed what be was set

IN THIS SURVEY

reasons to be optimistic Stock markets: brisk Banking: a clean up is long

overdue

 Foreign investment: plans for a national car unsattles overseas investors Foreign policy: pursuing a mora active role Telecommunications: a market with potential Page 3

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Politics: by Manuela Saragosa

Order in chaos: Indonesia is a vast country divided by race and religion

The system starts to age

An inflexible political process is out of kilter with the aspirations of the population

In the 30 years since President Suharto took over the reins of power, the most striking, and worrying, feature of Indonesian politics is Its inability to change or offer credible alter-

natives to the ageing president.

Despite last week's riots, the ruling Golkar party is still expected to win the parliamentary elections next year and presidential elections a year later. But the recent government-inspired attack on opposition leader Megawati Sukarnoputri has soured the atmosphere and may make the

victory less decisive. The elections will not offer real choice but that does not make them irrelevant. ft is the process by which the regime reaffirms its legitimacy and as such it is crucial for Golkar to secure a large chunk of the

At the last elections in 1992, Golkar won 68 per cent of the vote, down from 73 per cent the time before. Any further large slippage could tarnisb the legitimacy of President Suharto's regime at a time when there is growing resentment at the length of time it

has held on to power. Less than 60 per cent of the vote would almost certainly be deemed damaging. "The system is set up in a way that [the ruling powers] will win but it has to be credible," says Mr Laksamana Sukardi, a business consultant and treasurer of the licensed opposition indonesian Democratic Party (PDI).

Some 425 seats in the DPR todonesia's equivalent of parliament - will be contested with the remaining 75 allocated to the military. Complaints about the system focus more on the process itself. Parliamentary candidates

are screened by the military, a tacit Golkar supporter, which bas the ultimate veto over who runs in each district. That makes it difficult for members of the only other two permitted political parties - the Islambased development party (PPP) and the Indonesian Democratic Party (PDI) - to win seats.

Golkar, however, must still win votes and the government has been actively trying to restrict campaigning by Ms Megawati, who has beaded the

PDI since bere election by party members in 1993. Over the past year, her public meetings have frequently been disbanded by the police and she has been barred from talking to ber party representatives in

various parts of the country. Following the government's latest attack, the risk is that ahe may become sidelined despite her appeal as the is the daughter of the previous president. Indonesia's founding father, be was ousted by Suharto in the aftermath of tha abortive 1965 coup, but is still championed by many Indones-

The PDI's popularity may diminish following government interference in its affairs, but public opinion is difficult to measure. Indonesia is not a homogeneous country - there are hundreds of ethnic groups and languages - and the politi-cal orientation of the popula-

tion is almost impossible to

Organised opposition to the government is largely an urban phenomenon although supporters of Ms Megawati within the PDI claim that "if wanted to we could mobitens of millions of people to demonstrate their aupport for democratic principles and practices from Aceh to Irian

"I bope I will not have to do this," Ms Megawati said recently. "Our primary concern is to do everything possible to avoid anyone getting burt, to guarantee public

Nevertheless, there have been an increasing number of riots around the archipelago to the past year. Last week some 5,000 Megawati supporters clashed violently with riot police in Jakarta. Earlier this year, students rioted against



three brutal killings by the military, on the island of Sulawesi. Some Indonesian government officials privately point to these events as evidence of eroding respect for President Suharto's regime.

Another measure of discootent might be the growing popularity of Islam, the religion of 90 per cent of the population. It is widely believed that President Suharto established the Moslem Intellectuals Association, or fCMI, in an attempt to co-opt the Moslem vote in response to the growing popularity of the country's largest Moslem organisation, the Nahdiatul Ulama, which claims 30m members nationally and is a threat because of its unofficial link with Ms Megawati.

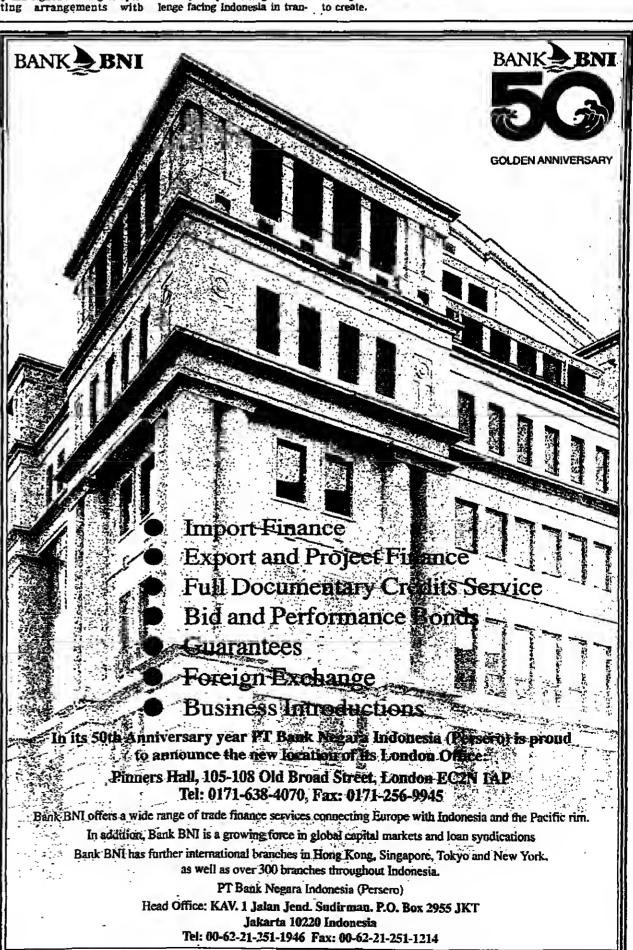
Unwittingly, the government may have added to the problem hy politicising religion, some servers say. ICMI's credibility has been called into ques-tion because so many of the mambers on its board bave affiliations with Golkar.
Others point to the histant

business activities of the presidential family as a source of dissatisfaction. An attempt by a company owned by President Suharto's grandson to charge and collect a tax on beer bottles in Bali caused an unprecedented outcry from business groups in the country earlier

Against this backdrop, Presi-dent Suharto must decide whether he will run again at the next presidential elections. Ha says repeatedly that the decision is in the hands of the Consultative People's Assembly but then most of the 1,000 seats in that assembly are appointed by the president

The death of his wife and close confidante earlier this year could swing the president either way. Her death has refocused the country on the issue of mortality, bringing home the age of the president himself. On the other hand, his children, whose influence over their father must not be underestimated, have obvious vested interests in keeping him in

President Suharto, who turned 75 at the beginning of June and has no obvious successor, is typically vague. "The most important thing for me is to complete my term until you should know that I'll be 77



Food for the optimists

Higher growth and slower domestic demand is good news for the country's prospects

Quite a lot bas been going right for the Indonesian economy this year. The yen bas weakened against the US dollar, easing

fears for Indonesia's \$100bn foreign debt, much of which is denominated in Japanese currency. The oil price has risen which should help strengthen the balance of trade. At home. fears that the economy was overbeating have abated as consumption has slowed.

As a result economists are more sanguine about the outlook compared with last year. That began with the rupiah under pressure in the wake of the Mexican economic crisis and ended with concern over a sudden surge of imports.

Led by domestic demand. economic growth rose to 8.1 per cent last year from 7.5 per cent in 1994. But inflation eased only alightly to 9 per cent from 9.6. This was still the fifth year out of the last six in which it has been close to doubla digits, the World Bank warns in its latest economic

The good news, economists say, is that the economy can stain a higher rate of growth following the deregulation introduced in the past few years. According to Eugene Galbraith, president of stockbrokers HG Asia Indonesia, growth is a couple of percentage points higher than it would otherwise be because of deregulation.

The bad news is that there is still excess liquidity in the money markets, built up as a result of capital inflows, while expectations of a continuing large deficit in the current account balance of payments will leave Indonesia vulnerable to external shocks. Indonesia will still require careful economic management.

For the time being there is a sense of quiet satisfaction at the way domestic demand seems to be levelling out. Car sales, which rose 18 per cent last year after a 53 per rise in 1994 are now falling. Some analysts say that

would-be purchasers are sim-ply waiting for the arrival of the new cheap national car which is due to be launched later this year by Timor Putra Nusantara, a company owned by one of the president's sons. But sluggisb sales in department stores bear out suggestions of a more general slowdown in consumption.

So does the trend in imports. These grew at a year-on-year rate of 35 per cent in the third quarter of last year, but actu-ally fell 4 per cent in the year to February. Loan growth at banks has also eased slightly to 23.6 per cent in March from 26 per cent in the third quarter of last year, thanks to pressures from Bank Indonesia.

But the rate of growth of M2 money supply showed no signs of falling and was still stuck at stubbornly high rate of 28 per cent. Indonesia has an open capital account and a policy of exchange rate, though the cen-tral bank did again widen the fluctuation bands for the rupiah last month from 3 per cent to 5 per cent. This leaves it with few levers for monetary policy, say some economists.

Indeed, the World Bank has been urging the government to let fiscal policy take more of the strain. Indonesia is already supposed by law to run a balanced budget the reason being that government ministers would find spending impossible to control if they were allowed to borrow in the domestic capital market. The World Bank says Indon-

esia ought to be running fiscal surpluses and should use the money to pay down some of the country's \$100bn foreign debt. Government revenues



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Tunky Artwibowo, trade and industry minister: imports have slowed

increasing petrol and electricity prices and raising forestry royalties and spending could be reduced in areas where the private sector now plays an important role, such as telephones and power generation. The government is in no

burry to adopt these recommendations, but there is general acceptance of the fact that large private sector investment over the next few years will cause the current account balance of payments gap to remain wide. The deficit for the fiscal year to end March, estimated at between \$7bn and 8bn, was easily financed, but the task of managing the external accounts will be a challenge for the authorities in the medium term.

Some economists say that the expected deficits will be perfectly manageable. Mr Galbraith says that at its peak in 1998, the deficit will only be 4 other economists point out consultancy house.

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that much of the new investment in infrastructure will involve imports of capital equipment but earn no foreign exchange. "It's not so easy when you're starting off with a foreign debt of \$100bn," says William Keeling, a representa-

tive of Kleinwort Benson. An important indicator will be Indonesia's ability to maintain non-oil exports, currently running at some 10 to 15 per cent annually. For the time being traders report good including those from China, which has been taking growing volumes of Indonesian textile and wood pulp products.

But there is lingering concern over the rate of wage increases. Last year's minimum wage increase of 10 per cent translates into 30 per cent when various additional payments are factored in. "We bave been giving away our own comparative advantage," to 4.5 per cent of GDP, but says Mr Sjahrir of the Ecfin

■ Stock markets: by Peter Montagnon

Brisk business on the bourse

While the market lacks discipline, free-wheeling flair has helped its rapid development

No doubt London's stock brokers will congratulate themselves on the introduction of the Crest paperless trading system this summer. But if they pause to consider Indonesia's example, they might find the champagne suddenly tastes rather flat.

While London has been grappling for years with the controversial issue of automation, Indonesia's much smaller exchange is already well ahead. It has had computerised dealing for more than a year and settlement, currently four days after a trade has taken place, is faster than London, which has only recently been abls to settle trades five days after a deal has been struck.

This is but one example of the pace at which Indonesia's stock market is developing. Though it is still a long way sbort of maturity, brokers say it is starting to reap the benefit of a conscious decision by the authorities to develop equity trading as a means of harnessing domestic savings.

Capitalisation of the Jakarta Stock Exchange has more than quadrupled since 1992 to \$860n at the end of April this year. During the same period, the number of listed companies jumped to 238 from 155 and average daily turnover to \$140m from \$56m. Indonesia's stock market may still lag behind those of Malaysia and Thailand in size, but it is showing signs of catching up.

Corporate earnings have been booyant since interest rates peaked in 1993, and large privatisation issues such as indosat and Telkom have added liquidity. As a result, investors are starting to take the market more seriously. "Foreign fund managers have

become a lot more positive, says James Spence of brokers

With ican growth at banks constrained by the authorities, some of the surplus liquidity in Indonesia's money markets has also found its way into equities. Indeed, the increasing par-ticipation of domestic investors has been one of the features of 1996 to date. Local investors account for 40 to 60 per cent of turnover, whereas foreigners previously accounted for 70 per cent, says Michael Chambers of GK Goh Ometraco.

This trend has been belped by an increasing willingness of brokers to extend credit to clients so that they can trade on margin. Most domestic investors are still retail buyers even though they trade in larger lots than their western coun-

terparts.

Domestic institutions, by contrast, still prefer to play safe and place their money with banks, "It has to be a very good stock market to beat returns on relatively risk-free deposits," says Mr Spence.

The result is that, with a handful of exceptions such as Telkom, there are still few shares actively traded by both foreign investors, who tend to be institutions, and domestic investors, who are retail opera-

Mr Chambers says retail buyers tend to be speculative and unsophisticated in their choice of shares. They also prefer issues which are cheap in absolute terms. Liquidity in some stocks is low so they can swing violently even on small turnover, be says citing the case of Modern Photo which has fluctnated between Rp15,000 and Rp10,000 over the

past six months.
Only when domestic institutions flourish will the market acquire real death. Despite talk of banks being allowed to own equities and plans to launch open-ended mutual funds, the absence of domestic institu-



Some aspects of regulation also need to be tightened, brokers say. There is still little discipline on corporate disclosure. Profit figures tend to leak out early. Although companies have to produce quarterly reports, scrutinised by a growing army of analysts, auditing controls are weak.

The computerised trading system has given the authorities the means of tracing trades and investigating market manipulation, but they have not been consistent in following this through "It is not so much a question of the regulations, but the way in which

they are enforced." says Gene Galbraith of HG Asia. The market may thus have a way to go before it matures, but with capitalisation heading. towards \$100bn, the old pioneering feel is beginning to

That leaves some brokers wondering whether the market might eventually become duller as well as more efficient, Behind much of Indonesia's corporate earnings is the freewheeling flair of large, mostly Chinese entrepreneurs. Too much emphasis on corporate governance would cramp their

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■ Banking: by Peter Montagnon

Clean-up long overdue

Renewed efforts are being made to sort out bad debts and strengthen rules to avert new problems

There is a curious irony in Indonesia's plan to float a state-owned bank as its next privatisation. It will be even more piquant if the exercise goes well, unlike last November's flotation of Telkom, the telephone company, which had to be cut sharply in size and sold at a knock-down price.

For while telecoms is one of Indonesia's more dynamic sectors with rapid growth prospects, banking is hardly a

showcase industry. With a total of 240 separate banks the market is overcrowded and badly in need of consolidation. Worse still is the heavy concentration of bad debts, with 10 per cent of lending classified as bad or doubtful at the end of last year. There is also an unhealthy tendency among private sector banks to lend to the industrial groups that own them.

Cleaning up the banking sector is one of the larger challenges facing Indonesia as it seeks to build on the policy of industrial and economic deregulation in force for the past couple of years. But in a further irony, the problems facing banks are largely the result of excesses that built up after the financial sector itself was

deregulated in the late 1980s. "A healthy financial system is a pre-requisite for a modern omy." the World Bank said in its latest report on Indonesia. It urged the authorities to accelerate planned increases in capital requirements and to enforce more strictly limits on group-related iending. It also called for state banks to receive support in the task of collecting overdue loans. Increased confidence in the financial system would reduce domestic interest rates.

Thus far, the banking industry has largely managed to avoid confronting the issue by relying on a rapidly growing economy and by expanding loan volume to float it away from bad debt trouble. With high margins available on new lending, many banks can earn enough to obscure the losses on old loans.

Bot there has been a large accumulation of lending on property, particularly on speculative high-rise apartments, and says Laksamana Sukardi of the ReFORM consultancy, bad debts are "a ticking bomb". Now, prompted possi-



year of Bapindo, one of the weakest state banks, the central bank is intensifying its efforts to steer the industry towards a soft landing.

At one level this involves working with the finance ministry to sort out the bad debts of state banks and orchestrating restructuring at private banks, says Soedradjad Dilwandono, central bank governor. At another the central bank is strengthening its regulations and supervisory capacity to prevent fresh problems

arising in the future. Minimum capital requirements are being raised to 12 per cent by the year 2001 from 8 per cent at present. Since last year the central bank has limited lending by private banks to related companies to 20 per cent of capital. This is hard to enforce but fewer banks are evading the limit, says Mr Soe-

It is also limiting credit growth at individual banks with an annual target of 16 to 17 per cent for the industry as

ta banka % of total lending

a whole. Although the motivation is one of monetary policy, restrictions on loan growth encourage banks to collect bad debts, says Michael Chambers of stockbrokers GR Goh Ome-

Finally, the central bank is

encouraging banks to merge, especially the myriad small banks without licences to deal in foreign exchange. Like the large state-owned banks, these also have an outstandingly bad lending record, and since they are deprived of the opportunity to diversify their earnings into treasury operations, they often cannot afford to write-off their losses. "It's slow but there is some progress," says Mr Soe-dradjad. "We were near a crisis but it didn't become a crash." Bapindo came near to coilapse, but is still operating, he says. Lippo Bank, a private sector bank, had problems last year because of its exposure to property, but with help from

other banks it has been able to overcome them. The number of problem banks has been reduced to 18 compared with 30 in 1983 when the authorities first became concerned about the sector. The price of a safer banking system, though, may be a

squeeze on profits. Higher capital requirements will not necessarily reduce returns because high interest rates mean banks can earn handsomely from the interest-free capital that is raised in a rights issue. But constraints on loan growth will limit their ability to increase volume. While interest margins are high at over 5 per cent, they are likely

tition and the increasing use by better risk borrowers Q other instruments such as commercial paper.

The private sector banks, which have a smaller legacy of bank debts, are likely to face fewer difficulties adjusting We will have the edge over the next few years," says K.J.Low, international adviser at Bank Tiara which is controlled by the Ometraco Group. at winning business from the emerging middle market which is where the best new opportu-

on earnings is likely to be a concerted attack on costs. That brings the story back to Bank tion in such an adverse climate. "We have not seen the figures vet but you have to assume that the efficiency ratios of a state bank are not comparable with the private

After privatisation BNI will have an incentive to pare back overbeads and improve the quality of its earnings. Indeed, says Mr Soedradiad, part of the aim is to use BNI as an example for other state banks of how to improve the management of its business.

If it succeeds, better qual earnings and the higher stock market multiple that would fol low might make BNI a worth while investment. The decision to privatise would then be jus tified by the extent to wbich there is room for improvement despite the seemingly inauspi clous background to the

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IN BRIEF

Aérospatiale and **Dassault near deal**



Mr Charles Millon (left), the French defence minister, confirmed that a framework agreement for state-owned Aérospatiale and privatelycontrolled Dassault Aviation to merge their aircraft activities was imminent. The government had set the end of this mouth as the deadline for the two groups to agree a plan to create a joint company by the end of 1998. Mr

Millon said the "pilot committee", which is composed of top executives from the two companies in the course of finalising conclusions which will be nced in the next few days". Page 19

Sol Meliá \$275m IPO breaks records Sol Melia, the Mallorca-based hotel group which is scheduled to start trading oo the Madrid stock exchange on July 2, has raised \$275m in fresh capital through an initial public offering that broke all records for an international placement by a Spanish company, Page 18

Crédit Lyonnais plans 5,000 job cuts Crédit Lyonnais, the state-owned French bank, announced plans to cut 5,000 of its 35,000 jobs by the end of 1998. Page 19

Ahold seeks \$1.8bn to fund US buy Ahold, the Netherlands' leading supermarkets group, is to raise \$1.8bn through a global share offering - the biggest equity issue by any Dutch company apart from privatisations - to fund the acquisition of Stop & Shop, US store chain. Page 19

Australian advisers back derivatives move An Australian government advisory committee has recommended a shake-up of the country's derivatives markets. The changes would remove the distinction between futures and securities-based prod-ncts, and allow any authorised exchange to handle standard derivatives transactions. Page 21

New Woolwich chief backs float The UK's Woolwich Building Society ended three months of speculation over whether it was still on course for a 1997 stock market flotation when it appointed Mr John Stewart, group operations director, as chief executive. Mr Stewart said the society was "bang on schedule" for conversion to a bank and flotation next year. Page 22

Japanese shares hit four-year high
In Tokyo, the Nikkei 225 index registered another
four-year high, adding 72.55 to close at 22,603.20. By
last Friday, the Nikkei 225 had recovered one third
of the ground lost between December 1989, when it
hit an all-time high of 38.915, and August 1992,
when it bottomed at 14,309. The Topix index gained
9.31 to a four-year high of 1,718.91, Page 38

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Morgan Stanley buys mutual fund group

OTHE FINANCIAL TIMES LIMITED 1996

Morgan Stanley, the investment bank, has agreed to pay \$745m for Van Kampen American Capital, a mutual fund group, in a further expansion of its asset management activity. Morgan Stanley will also assume \$430m of debt.

The deal, expected to go through in the antumn, follows Morgan Stanley's acquisition fin-alised this year of Miller, Anderalised this year of Miller, Amer-son & Sherrerd for \$350m. The Van Kampen purchase will add \$570m to Morgan Stanley's assets under management, taking the total to almost \$1600m. Morgan Stanley's shares rose \$1 to \$49%.

Stanley's shares rose \$1 to \$49% in morning trading.

Van Kampen, the fourth largest non-proprietary mutual fund group in the US, is 75 per cent owned by Clayton, Dubilier & Rice, the private leveraged buy-out group, with the balance largely held by management. It acquired Van Kampen Merritt in 1993 for \$359m, and in 1994 paid \$432m for American Capital Management & Research which Management & Research which was merged with Van Kampen. CD&R's equity investment in the

business totalled \$272m.
Mr James Allwin, president of Morgan Stanley Asset Manage-ment, said a retail mutual fund group was the missing part of the investment bank's US asset management activity. MSAM serves the institutional and high net worth individual markets. He hinted at forthcoming acquisitions of asset-gathering operations outside the US.

The deal is a further example

of the merger trend in the US investment management indus-try. Morgan Stanley and other nvestment banks have identified asset management as a source of more stable earnings streams than their broking activities.

Mr Philip Duff, chief financial officer of Morgan Stanley, said about 20 per cent of group pre-tax profits came from asset-guiliering activities, and this deal would raise that proportion to nearly 30 per cent. He said the price was con

ble to that paid for Miller Anderson, and that over the next 12 years Morgan Stanley would enjoy tax benefits from the deal with a present value of \$150m. Mr Allwin said one attraction of Van Kampen was its back office capabilities in providing services to 2m retail customers.

MSAM planned to expand Van Kampen's position in the so-called 401(k) personal pen-sions market; considered to be the fastest growing area of the mutual fund busin mutual fund business.

Mr Aliwin said MSAM had had
"important conversations" with the brokerage firms which dis-tribute the funds and were "comfortable" that the firms would continue to sell the funds in spite of the change of ownership.

Saab investors to inject \$524m By Hugh Camegy in Stockholm

General Motors of the US and Investor, the main arm of the

Wallenberg empire, are to pump SKr3.48bn (\$524m) into Saab Automobile in a refinancing deal that opens the door to an even-shared ownership tual complete takeover by GM of on a 50-50 basis. the struggling Swedish luxury the new deal gives GM and its

comes on top of SKrshn already. s stake in 1999 or 2000 — and jointly provided by the two own was investor the right to sell to eas since GM bought a half share di/Opel half its Saab shares in in late 1989, is the latest attempt a year 2000 if GM has not exert to put Saab on a stable footing sed its buy option first.

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"This situati

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255p, are below ver-

director, was reassuri was nothing in the m

of those present.

M and Investor agree refinancing for Swedish rmaker that gives US group option for takeover

world's biggest carmaker, has management control of Saab, shared ownership with Inves-

rman subsidiary Opel the right The recapitalisation, which buy out "all or part of Inves-comes on top of SKrisin already"s stake in 1999 or 2000 – and

the company - it is a Swedish company - and we really believe it has a future," he said. But the signs are increasingly that GM is positioning itself to

take full control. The refinancing package follows the appointment earlier this month of Mr Robert Hendry, one of GM's top executives from Detroit, to head Saab and the ent of a senior executive from Saturn, the successful GM subsidiary in the US, as head of Saab's operations in the US, its. At the same time, investor is

also writing off an outstanding SKr1.14bn loan made to Saab. The SKr3.48bn in new capital is in the form of subordinated loans from GM and Investor.

reducing its weighting in cyclical engineering sectors in favour of investments in more growth-

oriented industries. Investor

shares rose SKr6.50 to close at

SKr239 yesterday as the market

reacted positively to the prospect

of reduced exposure to Saab. As part of the refinancing deal,

Investor is paying \$125m to GM

in effect for its option to sell at least half its Saab stake. Opel is

The money is to be spent chiefly on a marketing effort in Saab's top markets - including the US, UK, Italy, France, Germany and Japan - in an attempt to increase output from about 100,000 vehicles a year to 150,000 by the turn of the century. Mr Dahlbäck said such an increase would establish "good profitabil-

Next year sees the launch of a new model to add to Saab's medium-sized 900 and larger 9000 models. The ageing 9000 is due to be phased out. Sustaining the higher volumes will require a further new model. It was clear yesterday the refinancing package did not include provision for such a model and no decision on a further model has yet been made.

BTR may findhits being imposed on its options for reshaping, writes Ross Tieman

A fter six months as executive of BTR, Mr Analysts question a strategy for reshaping the most diversified industrial glomerate overtaken by ever Analysts are growing impate the lack of clear signals how Mr Strachan plans to



UBS, says: I think we may see the first details of the strategy review with the interims in September and a series of portfolio rationalisations thereafter

Mr Strachan, former deputy chief executive at mining group RTZ, knew when he took the job of 1,500 businesses, with annual sales of £9.97bn, would take time. His strategy for BTR is evolutionary. He has said BTR would concentrate on achieving faster

organic growth in busin where it could aim for global or regional domination. Top line growth is critical," he "acquisitions for portfolio devel-

said. There was to be "renewed focus on organic growth" and

opment". . that meet Mr Strachan's

growth criteria probably amount : to 40-60 per cent of sales, from paper-making machinery through packaging to car parts. But as well as focusing on core

usineses, BTR had to move into high-growth markets in Asia and Latin America. Although 79 per cent of its sales are outside the derive from slow-growth Organisation for Economic Co-operation and Development economies. Building plants and entering

new markets costs money. BTR's General Plastics Group of Taiwan Lex, Page 16

capital investment has risen from £531m in 1994 to an estimated £650m-£675m this year. By implication, activities

where BTR is a relatively small, such as plastic polymers in Taiwan and aggregates in the US, are for sale. These would be big disposals. Polymers in Taiwan account for about £290m of BTR's sales, polymer products a further £600m. But polymer prices are weak and any buyer of BTR's controlling interest in the China

will also be obliged to reach a deal with Mr James Chao, who controls the remaining shares. This disposal may not be easy.

Mr. Strachan has already shown a knack for selling businesses as well as acquiring them. Since March, BTR has sold its sports equipment business, Dunlop Slazenger, for £330m. It divested its Plascoat plastic pro-

cessing activities in the UK, its Dunlop adhesives business, and its car radiator business, International Radiator Services, raising e has also made some small acquisitions, focussmall acquisitions, focus-ing on packaging and car parts in Asia and Latin America.

Scope for acquisitions is constrained by BTR's high level of gearing, which reached 107 per cent at the end of last year, and has been falling slowly since. Nevertheless, as UBS's Mr Cusack points out, BTR is "a company that is financially strong in terms of interest cover and cash cover". Mr Strachan's challenge is to

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reshape the portfolio without eroding earnings per share. BTR's past success is his biggest problem. In 1995, the company's pre-tax profits of £1.5bn provided a return on sales of 17.1 per cent. The company's return on capital was a remarkable 20.9 per cent. Three months ago, Mr Stra-

chan hired Mr John Saunders from SmithKline Beecham as corporats strategy director. Together, analysts say, they must resolve the contradiction between a big dividends, now draining BTR of £650m a year, and the need to invest a higher proportion of profits the business.

Says one analyst: "The problem out of?"

Auchan launchid for rival

By Andrew Jack in Paris

The privately-held French retail group Auchan yesterday launched a shake-up in the country's supermarket sector with a takeover bid for Docks de France, a rival retailer quoted on the Paris stock market, valuing it at more than FFr16bn (\$3bn).

The offer at FFr1,250 a share comes after months of specula-tion on an Auchan takeover. It began buying shares in April and now holds 17 per cent of the equity. The acquisition could lead to changes in the competitive French retail market. Auchan manages 79 hypermarkets around the world including 52 in France, while Docks de France manages retail chains Mr Christophe Dubrule,

fifth large The bid governm shopping increase Large

retailers France looking t their bot Docks: in the past ma to the t chairn a white entions lly lifted Mr ! urround-

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profit in 1995 of FFr1.1bn before provisions, on gross sales of more than FFr64bn. It has debt of FFr3bn and cash of FFr8bn. He said the takeover would be

funded partly by FFr5.5bn in cash reserves, and that Auchan's bankers. Société Générale and Deutsche Bank, "fully supported" the group to help finance the The takeover bid is dependent

on Auchan receiving at least 51 per cent of the voting rights in Docks de France. The offer price ents a 38 per cent premium to the average share price in the past three months.

Mr Dubrule ruled out any possibility of Auchan seeking a stock market quotation. Mr Gérard Mulliez, the founder, and his family control 84 per cent of the shares, with the remainder

disappoints Sun Life's

By Ralph Ations in London and Andrew Jack in Paris

The first trading day in London for newly-quoted Sun Life and Provincial, the UK and Ireland arm of UAP, the lossmaking French insurer, ended in disap-

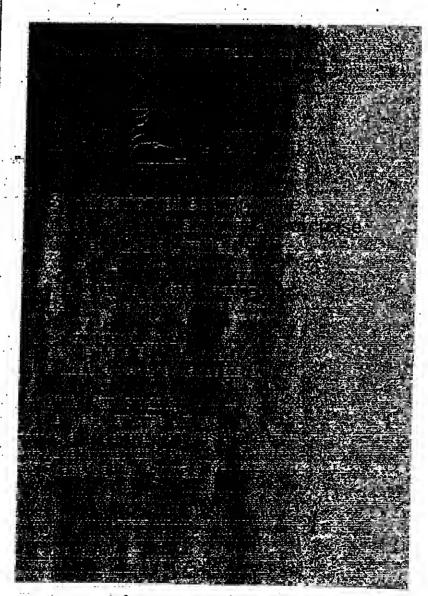
pointment for investors yesterday with the shares closing 3p below the 235p offer price. The lacklustre opening bucks the recent trend for new issues, particularly high-technology stocks - even though the Sun Life and Provincial offer was 2.7

times subscribed. But Mr Michael Hart, chief executive, said: "This was not a

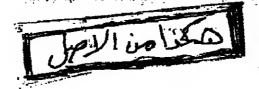
long-term on offer. But 11,000 applications not disapwere received for the retail offer where the average investment res would was £3,300. erous pro-

The offer was for 224m shares comprising 143.4m shares issued by Sun Life and Provincial and 80.7m existing shares sold by UAP. Robert Fleming, which acted as adviser and sponsor, sold a further 33.6m shares it had the option to buy from UAP and is understood to have bought back some of those shares to help

support the price. UAP has retained a majority stake of 60.2 per cent. The flotaors, which tion will allow it to cut its of the shares FFr12bu (\$2.8bn) debt by FFr4bn.







ATT THE STATE

Sol Melia, the Majorca-based hotel group which is scheduled to start trading on the Madrid stock exchange on July 2, has raised \$275m in fresh capital through an initial public offering that has broken all records for an international placement by a Spanish company.

As the offer period closed, demand for the 13m shares issued by the company was 22 times that offered on the domestic tranche and it was 20 times oversubscribed outside Spain, where

The price of the IPO, which will put 40 per cent of the family-owned busi-ness on the market, was fixed at the top of its range at Pta2,700 per share, and valued the group at \$687.5m.

The IPO represented a significant step forward in the development of Madrid's Bolsa as e source for capital, for it was the first time a domestic company has tapped the local market

"Logic would dictate that we will be seeing more issues like this one," Mr Juan Bastos, chief executive of Madrid brokers Ibersecurities, said yester-

A feature of the international tranche was that Sol Melia cancelled presentations in the US and offered equity solely to the UK and continen-tal Europe because the group has thriving business interests in Cuba and could run foul of the Helms-Burton law that threatens inward invest-

ment to Cuba. In the event, the threat of US government action against the company wholly failed to dissuade institutional interest in the placement.

The appetite for the issue reflected both the success with which Sol Melia sold itself as e global pure hotel

211 resort at city hotels in 28 countries and ranked 17th among the world's bls groups - and the considers interest among institutions in ing in the leisure

The travel a tourism industry grew world-wid 15.6 per cent last year, and Sol b is the dominant hotel company spain, where the leisure industry unted for nearly 19 per cent of the is domestic prod' uct in 1995. "This was a un

opportunity for investing in tour in Spain," said

placement. The success of the issue allowed UBS, the Swiss banking group which has co-ordinated the IPO. to close the international book for Sol Melia at the end of last week and, with final allocation of shares due on Friday, the hotel group will now have the opportunity to pick and choose the institutional investors it wants as shareholders.

The allocation is likely to favour institutions which know the company well and which will form a stable shareholder base as long-term inves

NEWS DIGEST

BNP spurns Warburg bid for CIP holding

Banque Nationale de Paris, the French banking group, yesterday said it had rejected an offer by SBC Warburg, the investment bank, to buy out its majority stake in Compagnie d'Investissements de Paris, which holds stakes in a number of leading French companies. SBC Warburg, which holds 3 per cent of CIP, made an offer of FFr205 a share to BNP for its 84 per cent stake, after arguing that BNP's original offer of one of its own shares for each CIP share undervalued the company.

The BNP offer, which closes on June 28, was triggered last

month after SBC Warburg launched a series of critical resolutions to be debated at the CIP annual meeting calling on the management to improve returns for its shareholders. Since the BNP offer, SBC Warburg had unsuccessfully lobbied the French stock market regulatory authorities to demand an interpretation in the ENP bed and to receive a cash alternative improvement in the BNP bid and to provide a cash alternative to payment in shares.

Veba chief sees overseas growth

Mr Ulrich Hartmann, chairman of Veba, the German conglomerate, said he expected more than 50 per cent of sales to be generated abroad in 10 years' time. Speaking in an interview with Sunday newspaper Welt am Sonntag, Mr Hartmann said Asia and America would be the basis for this growth. Mr Hartmann said Veba had DM10bn (\$6.5bn) for AFX News, Frankfur

Fiat downbeat on domestic sales

Mr Roberto Testore, managing director of Flat Auto, said the Italian market was expected to be flat in 1996, while the European market, excluding Italy, was likely to rise 3 per cent "The crisis is deep and the price war may claim famous victims," Mr Testore said, adding that he did not know when the situation would improve, although a recovery was possible in 1997. He said he expected total western European car sales to reach 12.3m in 1996, of which 2.4m would be Fiat-made cars.

Iberia awaits approval for sale

The sale of the remainder of Iberia's holding in Chilean airline Ladeco was awaiting board approval from Teneo, Iberia's parent, a Teneo executive said, confirming an earlier report in financial daily Expansion. But he said he could not confirm the size of the stake to be sold nor the price of the operation. Expansion said Iberia planned to sell 25 per cent of Ladeco to Lan Airlines for \$8m, adding that the airline had already ransferred 13:07 per cent of its stake in Ladeco to Andes Holding, which consisted of Teneo, Merrill Lynch Europe, and Bankers Trust Foreign Investment Corp.

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The operation with Ladeco is along these lines, but final details will not be available until the Teneo board gives its approval," the executive said. "But following the sale of the stake, Iberia will no longer have a presence in the Chilean

■ Suez, the French financial group, posted first-quarter sales of FFr22.38bn (\$4.3bn), down 6.2 per cent from FFr23.87bhn a year earlier. On a constant structure basis, sales were up 1 per cent from FFr21.961bn to FFr22.263bn. AFX News, Paris

L'Oréal, the French cosmetics and healthcare company, said it would make a bonus issue of 6.146m new shares with e nominal value of FFr10 each, to be distributed in a ratio of 1-for-10, effective on Friday.

Atlas Capital Limited

Notice in respect of the Extraordinary Resolutions

passed at the Adjourned Meeting of

14th June, 1996 of the Holders of

FF 4,500,000,000 6,375% Guaranteed Notes due 1998

and the Holders of

FF 4,502,000,000

Guaranteed Floating Rate Notes due 1998

NOTICE IS HEREBY GIVEN by Adam Capital Limited (the "issuer") of the distrome of the adjourned meeting held on Friday 14th June, 1996 (the "Adjourned Meeting") of the holders of Notes and the holders of FRNs in respect of the Notes and

RNs (usgether the "Ashs Notes") issued subject to an Agency Agreement (the 'Agency Agreement') dated 29th April, 1994 between the issues, Municipal Bond

edance with the provisions of the Agency Agreement. The Extraordina sluttors have become effective so MBIA has confirmed that to Note Policy, while

gumantees payments of principal and interest including certain additional amounts in respect of withhelding taxes, will remain in full force and effect with respect to all of the Aris Notes (the "Confirmation"). All other consense to the Restriction have been obtained (så deflized in the Notes) and the Restrictoring took place on

a them in the Deed of Charge dated 29th April, 1994 between the lastic, the

investors Assumince Corporation (now known as MBA insurance Co-("MBA"), the Agents named therein and Bankers Trustee Company Lis "Security Trustee"). At the Adjourned Meeting, each resolution publish Notice of 7th May, 1996 (the "Notice") was passed as an Entraordinary Re-

Coca-Cola sets Scandinavia's drinksmarket fizzing 9m shares were placed.

The split between the US group and its long-time partner has thrown the market into turmoil

oca-Cola's decision last week to break with its long-time producer in Sweden and Norway and enter talks with Carlsberg of Denmark over new co-operation has left Scandinavia's aoft

drinks market fizzing.

The US group and Pripps
Ringnes, partners for half a century, have hammered out a SKrl.1bn (\$166m) severance package that will see continued collaboration until the start of 1999. But few doubt that the gloves will come off once the phase-out is complete. Aggressive pricing is likely from Coca-Cola, while Pripps Ringnes has already pledged to defend its soft drinks brands

The split between Coca-Cola and Pripps Ringnes, owned by Orkla, the Norwegian food group, introduces a new rigour to e market that has long been characterised by a lack of com-

The competition picture has turned around completely. Carlsberg and Coca-Cola are very strong and now Orkla and Pripps Ringnes will be trying harder to develop their own brands. The market is in a bit of turmoil," said one Stockholm-based beverages industry

Between them, the two companies control between 60 and 65 per cent of the Swedish and Norwegian soft drinks markets. Coca-Cola, the clear market leader, has a 40 per cent share in Sweden and 50 per

cent in Norway. But despite the combined strength of Coca-Cola and Pripps Ringnes, the US company has grown increasingly dissatisfied with

Pripps Ringnes, formed last year by the merger of Pripps of Sweden and Ringnes of Nor-way, has a stated policy of its returns. focusing on its own brands and was epparently unable to satisfy Coca-Cola's demand for higher visibility for its prod-

Coca-Cola felt its strategy was incompatible with Pripps Ringnes - an analysis shared last waek by Mr Paul Bergqvist, Pripps Ringnes managing director.

Coca-Cola's conviction that it was receiving insufficiant growth of its own products, especially in the big Swedish market, receives some support from figures showing that the average Swede consumes only 169 eight fluid ounce servings of Coke per year, compared with 256 in Norway and 169 in Denmark and the Benelux countries. Co-operation finally found-

ered after Pripps Ringnes rejected Coca-Cola's demand for part-ownership of the bottling operations, an increasingly familiar stricture in the group's intarnational operations in recent years. Mr Randy Donaldson of Coca-Cola in Atlanta, said: Fifteen years ago we were either the passive victims or

beneficiarles of where our bot-

tlers were. Our philosophy now is to put bottling control in the hands of management with the same aggressive goals as we have." The untapped potential in particularly the Swedish markat is substantial, he

Consumption of soft drinks in Sweden, Norway and Denmark is 1.5bn litres per year and the market is estimated to be worth between SKr15bn and

SKr23bn.
For Carlsberg, the parting of the ways has provided a gilt-edged opportunity at a time when the Danish brewer is aeeking to strengthen the operations of Falcon, a Swedish brewery in which it purchased a 30 per cent stake last year. Carlsberg already handles Coca-Cola's production and distribution in Denmark through its subsidiary Dadeko and is keen to use Falcon's Swedish network to distribute Coca-Cola across Sweden and

ntil now its soft drinks operations have been directed primarily at the home market. Negotiations are at an early stage but an entry into Sweden would dovetail wall with Carlsberg's desire to build "critical mass" at Falcon, which has 14 per cent of the Swedish beer and soft drinks market,

If they can use the Falcon distribution network to distribute Coca-Cola products it will be e very good fit and also cut



1994 10,174 1995 CAGR 1991-95 7.5% their costs," said ona beverages analyst based in Stockholm. Analysts have suggested the move is also a defence against e possible incursion by e rival

market. Carls bidding for brewer Hansa disposed of by terms of the into e slowly opening Nordic

ently gian eing

the

move by its main competitor Heineken, the Dutch brewery group, into Scandinavia.

Greg McIvor

remain vigilant against any

ALCATEL ALSTHOM

1996 Annual Shareholders' Meeting

"It is toward our future that we wish to turn. It is the men and women of our compony, our clients and our shoreholders who count. The chollenges before us today are considerable, but so ore our strengths. ?? Serge Tchuruk

Extract's from the Choirman's Address

One year ago, almost to the day, I was appointed Chairman of Alcatel Alsthom. Today, I will present to you the major guidelines of the action undertaken since the last Annual Shareholders' Meeting.

During my first months in the Group, I realized that the previous management's hoped for market recovery was not occurring. The Group's results in 1995 confirmed the unfavorable trends experienced in 1994. That is why, as early as September 1995, I publicly presented my analysis of the situation and outlined a dynamic recovery plan.

The announcement of the Group's final results in March 1996 confirmed the diagnosis established in outumn 1995.

Income from operations, excluding non-recurring items, which decreased by FF 3.5 billion in 1994, once again decreased by FF 5.5 billion compared to the

The FF 25.6 billion loss registered in 1995 consists mainly of FF 24.0 billion in non-recurring provisions and adjustments.

The magnitude of these figures merits an analysis of the reasons for the deterioration. It is also necessary to define and implement the actions required to return quickly to a level of profitability comparable to that of our best competitors. This is possible and the management and the Group's employees are already working to achieve this objective by 1998.

What are the reasons and what are the actions?

The first reason is related to the fundamental change in the telecommunications equipment market that has adversely affected certain sectors, such as fixed network systems or undersea cables, where Alcatel has been traditionally strong.

Market growth has been accompanied by significant falls in prices and the result has been a net decrease in our margins. Productivity gains are therefore one important objective of the recovery plan. The measures, already largely undertaken, should give a reduction in operating costs of FF 7.0 billion per year from 1998 onwards.

Why hasn't our productivity followed the markets' development? This is because, and it is the second reason which caused our poor 1995 results, the Group's former organization was based on national structures. This organization no longer responded to the globalization of the markets which now calls for international management of product lines, thereby avoiding duplication.

I have therefore initiated a profound reorganization within the Group. This has very quickly put into place. Divisions with world-wide product responsibility been created in the Telecom and Cables sectors. In Europe, research and dev ment sites and production centers are in the process of being regrouped. A hig level of efficiency is already occurring. The 900 legal entities which existed at the of 1995 will be reduced to less than 500.

The merger with Alcatel Cable is an example of the simplification of the legal struct Lastly, a program to dispose of FF 10.0 billion of assets should be finalized by the of this year. The objective is to focus the Group on its core businesses.

I am very much aware of the social and human consequences resulting from the recor plan on the Group's employees, however, at the same time, Alcatel Aisthom's succe relies on their motivation. The technological changes, which have occurred change the last two decades in our businesses, have already resulted in the loss of jobs. Today, the radical changes in our economic environment make new restructuring indispensi most European countries. We have committed ourselves to take every consideration in account regarding local situations, in cooperation with our economic and social pur with the objective of finding constructive solutions for the employees concerned.

But we should not lose sight of the fact that in businesses such as those of Alcatel Alsthom, energetic restructuring measures alone are not sufficient. The value of technological know-how is the first condition of success. The Group's knowledge is immense in all of the businesses in which it operates. Close to FF 16.0 billion is invested each year for research and development in order to renew and perfect its

product and service offerings. This effort has been maintained, even in the current circumstances. I am happy to note the strengthening of our order book, since the beginning of the year, recogni and rewarding the quality of our technology. I would like to mention, in particular, the acceleration of our presence in the U.S in telecommunications and railway transportation. Considerable advances have been achieved in the mobile communication activities, notably in Asia, and in the energy field.

Today, the traumas created in your company by all kinds of difficulties, particularly in what was referred to as the "affairs", are fading and I am pleased with the atmosphere of confidence that now has been re-established with France Telecom.

It is toward our future that we wish to turn. It is the men and women of our company, our clients and our shareholders who count. The challenges before us today are considerable, but so are our strengths.

These are the signs of encouragement I wish to convey. The Board of Directors, sharing the confidence that I and all of the employees have for the future of the Group, has proposed a dividend of FF 3 per share despite the losses of last year. The Board also thanks you for your loyalty and the renewed confidence you have shown. You may be assured of my full and personal commitment to the company for which l was made responsible a year ago.

INVESTORS RELATIONS: Tel (33.1) 40 76 10 68 • Fax (33.1) 40 76 14 05 • Email : http://www.alacitel.com/

Banco Centrel de Venezuela £21,174,000 Floating Rate Bonds due 2005 STG How Money Series 8-ND anco Central de Ve £21,174,000 Floating Sale Bonds due 2006 STG New Money Series B-P

ence will the pro-Agent Ben Juny 25, 1996

The Republic of Ven 228,232,000

The Republic of Venezuela £119,402,500 Florting Plate Bonds due 2007-STG Debt Conservior Series

Capital Limited 3,800,000,000 tred Floating Rate see due 1998

RCRAFT LTD that the rate of od from June 24th, 1995 has ion and 0,000 denom-

le de Paris

Trustee and MBIA.

Bankers Trust 25th June, 1996

SAMSUNG CORPORATION

To the Holders and Beneficial Owners of Samsung Corporation Global Depositary Shares

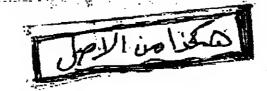
NOTICE IS HEREBY GIVEN TO THE HOLDERS OF THE ABOVE MENTIONED GDSs THAT : Pursuant to the regulations of the Korean Securities Exchange Commission, the final issue price for the Rights Offering has been fixed at 11,900.00 Korean Won per Share on June 22,1996.



Crystal Castle Euro-Finance Limited U.S. \$150,000,000 Guaranteed Asset-Backed Floating Rate Notes Due 1999

In accordance with the terms and conditions of the Notes, notice is hereby given that the interest rate for the Interest Period from 21st June, 1996 to 23rd September, 1996 is 5.925% per annum. The Coupon Amount payable on the 23rd September, 1996 for Notes with original principal amounts of U.S. \$10,000 is U.S. \$154.71.

Bankers Trust Company, London



CETT

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Aérospatiale and Dassault closer to deal

Ahold seeks \$1.8bn

to pay for US buy

By David Buchan in Paris

A framework agreement for state-owned Aérospatiale and privately-controlled Dassault Aviation to merge their aircraft activities is imminent, Mr Charles Millon, the French defence minister, confirmed

The government had set the end of this month as the deadline for the two companies to agree on a plan to create a joint company by the end of

Mr Millon said yesterday

Air Liberté

alliance

By David Owen in Paris

air travel in 1997.

and AOM in

Air Liberté and AOM, two

edium-sized French airlines,

yesterday announced an

accord aimed at strengthening

their position ahead of the fur-ther liberalisation of European

The code-sharing and gen-

eral commercial agreement

should enable the companies

to allocate their aircraft more

efficiently among their various French routes. It could be the

precursor of a fully-fledged merger aimed at creating a

predominantly French-owner

private competitor for Air

France'e domestic arm.
Mr Lotfi Belhassine, Air Lib-

erte's chairman, said yester-

day that talks on a possible deal were now beginning and that it was the "common

wish" of Air Liberte and AOM

that a "good-sized private air-

He indicated that Air Liberté

would seek to involve a num-

ber of other partners if it opted to bid for AOM. It would

probably be preferable for such a deal to be concluded

before airlines from other European Union countries were allowed unfettered access

to the French domestic market

AOM is controlled by CDR,

the company created to receive

FFr135bn (\$26bn) of largely

iossmaking loans and invest-ments from the balance sheet

of Crédit Lyonnais, the tronbled state-controlled banking

group, for sale over the next

few years. Mr Belhassine estimated the

He said Air Liberie had taken

a 32 per cent share of traffic

on flights between Paris and

important domestic route.

douse, the company's most

tic air transport market.

in April 1997.

line in France" be created.

that the "pilot committee" of top executives from the two companies, which is supposed to produce the plan, "is in the course of finalising conclusions which will be announced in the

next few days". Mr Serge Dassault, president and chief shareholder of the Dassault group, has for several months resisted President Jacques Chirac's plan to see the country's two aircraft makers merge, as part of France's defence restructuring.

However, under pressure from the Elysée, he last month

By Gordon Cramb in Zaandam

Ahold, the Netherlands'

leading supermarkets group, is to raise \$1.8bn through a global

share offering, the biggest

equity issue by any Dutch com-

pany apart from privatisations.

acquisition of Stop & Shop, the north-eastern US chain for

which it launched an agreed

The 36m new shares it plans

to issue will represent some 22.4 per cent of Ahold'e expan-ded equity, but this could grow

to 24.9 per cent: provision has been made to accept oversub-ecriptions which would increase the size of the offer by

up to 3.3m shares.
US investors are being allo-

cated 14m shares of the total in

the form of American deposi-

tary receipts, and the issue will

also be marketed in the UK, France, Germany and Switzer-land, with Goldman Sachs as

global co-ordinator.

The offer is to fund the

and allowed Dassault cecutives to begin discussig an industrial plan with their Aérospatiale counterpart

The government has it yet received final reports fro the pilot committee, or fro the banks retained by the ampanies to evaluate their spective assets. But, accorng to Les Echos, the French biness daily, government an company negotiators are che to a deal giving Mr Dassau a 27 per cent share in the ne com-

Wall Street close on 11y 15. Ahold has a listing tire as

closed Fi 1.50 higher ytterday

at F192.90. Control of the Ne York

names such as Tops farkets,

than 45 per cent of its 29.6bn

(\$17.3bn) total sales at year,

from which it made it profits

of Fl 492m. On a po-forma basis, the inclusio of the

Massachusetts-baserStop &

Shop would have boted 1995

Mr Cees van deiHoeven,

Ahold president, sd: "Our

critical mass will inease and lead to considerable at reduc-

earnings to Fl 661m.

Edwards and Bi-Lo. The US accounted a more

day-to-day management.

However, in a last attempt maximise the remaining ide up by his father, Marcel, Dassault is said to be holding out for the company to named Dassault-Aérospatia rather than the other

started to negotiate finicial pany and the presidency of a Mr François Auque, Aërospaterms with the government, and allowed Dassault tecua large controlling majority ation of his company's assets and probably its current prest when he recalled that British dent, Mr Louis Gallois, as chief Aerospace had valued its share executive in charge of in the Airbus consortium at civil aviation assets of Aérospatiale, which has nearly twice maximise the remaining may patient, which has hearly twice tity of the family jet firm but as large a stake in Airbus as BAe, is estimated at FFr15bn. Dassault Aviation, the maker of the widely-exported Mirage

By Andrew Jack in Paris Crédit Lyonnais, the

jet and the new Rafale fighter for French forces, has assets said to be worth FFr10bn.



three to five year ing operations suring, distribution an abel development, would'existing US act ould benefit by a furtile.

He said the coas at an advanced states.

- 94

tions with the US Federal Trade Commission which should allow the purchase to be completed on schedule by the end of next month. It expected to divest no more than 82 of Stop & Shop's 176 outlets, and without negative impact on its balance sheet.

Crédit Lyonnais looks to cut 5,000 jobs

state-owned French bank, yesterday announced plans to cut 5,000 of its 35,000 jobs by the end of 1998 as part of efforts to

increase productivity.

Mr Jean Peyrelevade, chairman, presented the job loss target to union represents at a meeting which followed several weeks of talks designed to identify areas where staffing could be reduced. The latest reductions follow a pattern started two years ago, since when the bank has announced two separate "social plans", or restructuring programmes, to

cut numbers.

During the first restructure ing, in 1994, the bank cut 1,124 jobs. A second plan, now under way, is designed to reduce numbers by a further 2.427.

However, the new targets represent an important increase in the total number of iobs to go, and reflect a differeut strategy which concen trates on specific areas of activity in which staffing will be cut rather than aiming for reductions across the entire

Mr Pascal Lamy, a membe of the bank's management board, said yesterday he hoped to avoid compulsory redundancies by using early retirement, voluntary redundancies and more part-time working.

Crédit Lyonnais has been under increasing pressure in the past few months to cut jobs as part of wider initiatives to improve profitability and reduce operating costs. Payroll costs account for some 60 per cent of expenses.

NEWS DIGEST

Paribas 'has FFr9bn of unrealised gains'

Mr André Levy-Lang, chairman of Compagnie Financière de Parlbas, the holding company, said the group had unrealised capital gains of about FFr9bn (\$1.74hn), not including the gain it expected to make from the sale of its 56.6 per cent stake in Pollet to Saint-Gobain. In an interview with the French daily, La Tribune Desfossés, Mr Levy-Lang said the Poliet sale should yield a further gain of almost FFr7bn. Parihas' portfolio of shareholdings has a book value of about FFr30bn, and the level of unrealised gains had barely fallen despite the Poliet sale, mainly because of the recent rise in share prices, he said Paribas intended to invest about FFr2bn a year in

developing sectors such as mining, energy, elecommunications and the media. It planned to maintain its 4 per cent stake in Havas and would have a 1.4 per cent stake in Canal Plus after deciding to deliver its UGC DA shares to Canal Plus's exchange offer, he said. Mr Levy-Lang said the fact that Parihas would now be a shareholder in Canal Plus, Havas, and their digital TV rival CLT, posed no fundamental

Paribas recently cut its stake in CLT's parent company, Audiofina, which Mr Levy-Lang said brought a gain of FFT1.5hn. He also said the group planned to reorganise the division of shareholdings between the parent company and its Banque Paribas unit in the next two years.

AFX News, Paris

Bank of Cyprus in Guernsey move

Bank of Cyprus, the island'e largest banking organisation, with a 40 per cent share of the market, is to open an office in Guerosey from July 1 and operate under the name Bank of Cyprus (Channel Islands) as part of its policy of becoming more international. The group already operates branches in Greece and the UK. The BoC unit will be administered for the time being by the Royal Bank of Canada. The move is aimed at attracting funds deposited "secretly" by

Cypriots with other banks overseas because of the currency restrictions still in force in Cyprus, said Mr Solon Triantafyllides the bank's chairman. He also said Bank of Cyprus would now lay more emphasis on private banking and try to make more funds available for Cypriots living in the UK.

Andreas Hadjipapas, Nicosia

Alcatel Alsthom sells TV stake

Alcatel Alsthom, the French telecommunications and engineering group, is to sell its majority stake in SECE Cortaillod, the leading Swiss cable TV operator, to Cablecom Holding of Switzerland. Alcatel said it would receive more than FFr2bn (\$386m) from the transaction, which is priced at SFr616 a share. The company said the move was an important step in its disposal programme to sell FFr10bn of non-strategic

tions." Stop & Shop, ith oper-ating earnings of 28m last year, could improve these by The prospectus assumes an offer price of F187 a share, but final terms will be set after the DnB sell-off meets

the country's biggest financial services group, for NKr2.4bn (\$367m) to a mix of domestic two companies had a com-bined market share of about 25 per cent of the French

and foreign investors.
The 127m-share issue, which reduced the state's stake in DnB to 52 per cent, was priced at NKr19.30 and was twice oversubscribed. DnB shares closed at NKr19.70 on the Oslo

bourse, up NKr0.40 on the day.
The sell-off was the biggest
in a series of bank privatisa-He said Air Liberté made net profits last year of FFr13m on turnover of FFr1.8bn. tion moves approved by the While sales were expected to minority Labour government to recoup some of the NKr25bn imb this year to about

total eo far claed back, through the DnB de and the earlier sales of althe state's holdings in Foku Bank and Union Bank of Nway and a

ted to retainit majority stakes in DnB anChristiania, at least until nexyear, and to thereafter hold a to a onethird stake in eac

The Government Bank Investment Funcsaid 19 per cent of the latesOnB offering was taken up y domestic institutions and . per cent by private investors

with strong demand It brought to Nr7.5bn the By Hugh Carnegy Norway yesterday completed its biggest bank privatisation issue to date, selling a 19.8 per cent stake in Den norske Bank, significant portion the state stake in Christian Bank. The governmer is commit-

SBC Warburg as the global co-ordinator an adviser for the whole issue o-lead man-

The shortest distance between two points

This announcement appears as a matter of record only.







have jointly acquired a 34.04% stake in the privatization of



amounting to US\$ 1,386,343,421

Advisor to the buyers



hy 21. 1996

By Christopher Parkes in Los Angeles

The deadline for offers to buy the French-owned MGM film, television and distribution group passed yester-day with only a handful of bidders in the running and lower-than-expected

The buy-out ambitions of MGM chairman Mr Frank Mancuso and his management team were still unclear as New Regency Enterprises and Morgan Creek Productions, both with close links to Time Warner, appeared to have a tactical edge over the rich-

est prospect. Europe's Polygram.

owned by Philips. Expected bid levels have slipped from \$2bn-plus to less than \$1.5bn after close examination of MGM by a dozen concerns, which were attracted initially by assets including the "Leo" lion brand, the largest distribution network in the world, and a reviving reputation as a hit maker.

However, enthusissm waned because of the need for heavy capital injections to keep the movie studio producing, plus worries about a Hollywood shake-out perceived to be on the

horizon because of a glut of movies and soaring production and market-

Uncertainties over the status of the ing costs. MGM video library, which includes the James Bond series and is licensed to Time Warner until 2003, have also raised concerns.

For the conservative Polygram Filmed Entertainment, one of the companies most consistently linked to the sale, the purchase would mark a decisive move into Hollywood with one of the best-known and leastexploited brands in the world.

Other thes most often linked with the impering deal include entrepre-neurs wellersed in the ways of the US film dustry and funded by

us film dustry and funded by assorted diders.

New Rebry is controlled by Mr Arnon Milen, an Israeli financier, who is bled by Australie's Mr Kerry Packand Samsung, the South Korean elemics concern. His films include Freyilly and Under Siege, and are districted by Warner Bros.

Morgan Ck is believed to have backing frod sewoo, another South Korean considerate, and Fujisankei

concernit, too, has close links with Warner which may tend to favour Polygrai or another outsider. The impendir merger of Turner Broadcasting istem with Time Warner is being reewed by the US anti-trust

Since deal to sell MGM to a Warner iffiliate would probably prompt urther investigation, its owner, Odit Lyonnais, might prefer a quickercleaner split from its movie ets with have cost it an estimated \$2bn in raning costs since 1992.

Alumax aims to make its metal more precious

The US group is focusing on high-value output as well as cheap primary aluminium, says Kenneth Gooding

r Allen Born, chairman of Alumax, third largest of the US aluminium groups, says he wants to attract more European sharebolders because they tend to be long-term holders. He suggests, only half jokingly, that for many US sharebolders, "35 days is long-term". His jaundiced view of Ameri-

can investors springs partly from a recent skirmish with Kaiser, a smaller US aluminium group that threatened to force through a merger with

Mr Born and bis board fought off these overtures, something they were well-pre-pared for. Only 18 months ago they looked closely at acquiring Kaiser, which is 60 per cent owned by Maxxam, a quoted group controlled by US financler Charles Hurwitz. "The deal did not make sense," says Mr Born. "We did not see sufficlent synergies. We did see

major problems."
Kalser's chief executive, Mr George Haymaker, claimed, when backing away in March, that there bad been "every indication" Kaiser would have received "very significant support" from Alumax shareholders. However, an aggressive approach by Kaiser "would not likely result in a constructive dialogue between the

Europe, in spite of the group's being listed on the Belgian bourse. Mr Born expects a list-ing on the London Stock Exchange, via an introduction by broker SBC Warburg within the next few days, to help

increase the number. Alumax, which is also quoted in New York and Toronto, employs 15,000 in more than 100 plants, mainly in the US, but is known in Europe because of its Kawneer subsidiary, which makes engineered architectural building

Alumax, which has revenues of \$2.9bn and assets of \$3bn, is less than three years old in its present form. It was part of Amax, whose non-aluminium assets were merged with Cyprus Minerals on a 50-50 is in 1993.

Mr Born, now 63, who joined Amax in 1967, engineered the Cyprus Minerals deal, which also involved Alumax shares being distributed to Amax holders. He agreed to spend the first five years after the spin-off as chairman and chief executive of Alumax. Mr Born is also vice-chairman of Cyprus

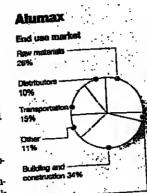
At Alumax he has been spearheading substantial changes, focusing operations on specialised, high-value products while protecting its position as one of the world's low-Fewer than 10 per cent of est-cost producers of primary aluminium. Alumax is also

looking for growth in developing country markets. Nowbere is this re-positioning more obvious than in Alumax's transformation of its downstream businesses. In January it paid \$430m cash for Cressona, a private company that expanded Aluman's downstream capacity by 30 per cent. Capital projects could result in another 15 per cent expansion by the middle of next year, representing total downstream

capacity expansion of more than 50 per cent in 18 months. Cressona turned Alumax cressona turned Atumax into the world's biggest aluminium extruder – doubling its capacity to produce extrusions – and Mr Born says the industry expects the supply of extrusions to the transport industry alone to grow hy more than 10 per cent a year for at least the next five years.

conservative estimates, Alumax should be able to see annual growth of 4 per cent to 5 per cent and this would raise its annual extrusion ontput to more than 800m pounds. "Under the right circumstances we could grow at a rate of closer to 10 per cent a year and that would top our goal of 1bn lbs a year."

Mr Born worked on the Cressona deal for a year and at the end of that time paid the price he had first suggested. Cres-sona, which had revenues of

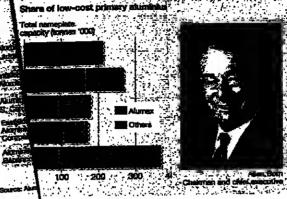


\$490m and shipped 350m lbs of aluminium parts annually, had been consistently profitable for 15 years but needed to go into an entirely new business if it was to continue growing. Also, to take advantage of

demand from carmakers, which need to make lighter vehicles, Alumax has launched a series of plants to make semisolid forged aluminium parts. Born says this technique "enables you to produce a near-finished part with one swift stroke of a forging press". As Alumax wishes not only to keep pace with its own pri-mary metal requirements, but also to continue to sell about 30 per cent of its aluminium output to other customers, it is having to consider adding to its smelting capacity from 2000 onwards. Iceland is the most

likely location. Another indication of Alumax's new approach was the conversion of its Texarcana, Texas plant from the production of can sheet and hid stock to a general purpose mill marking Alumax's exit from the can stock business. "We're not wasting resources

on low margin, commodity



says Mr Born. ne group is concen-producing very thin, aluminium foil of sed for cigarette wralld yoghurt pot lids.
"ft it to make common hous rrap but it takes specifical expertise to pre is ultra thin foll,"
Mr Be is out. "And this foll cleast 50 cents a least 50 cents a han commodity

expertise in a has won it a China. China, mnan Alumin-ium, to 8,000–10,000 tonnes oil a year at Kunmin minium will ter next door and the to to a nearby cigarette Yunnan is contribution and equipment wo \$30m while
Alumax cash and technology.
Mr Bord when he
first visite here was a first visite hree years ago, the yers interested only ax helping to build melter. "I told them interested

in helping ace some-

thin that could be dumped in my ickyard." Almax's total capital expen-

ditu will rise from \$214m last yearo \$240m in 1998 before fallig to an annual \$200m, saysår Lawrence Frost, chief finadal officer. Gearing was 48 pccent when Alumax was spumff and fell to about 35 per at before the Cressona purcise, which took it back to 42 pc cent - relatively high for thindustry. Mr Frost says the gil is to stay between 30

Sale of non-core assets have brougt in \$392m so far -\$142mfor the sale of 14 per cent othe Intalco smelter to a Japanse consortium; \$160m for Mecan mining assets sold to Instrias Panoles; and \$90m f 23 per cent of the Mt Holy peration sold to the

Glenco trading group.

Mr Bn says there might be cash-fic to get debt down and implemet the restructuring, he saysout when this is completed vidend payments will follow. Alumax also has approvator a share buy-back programe, "but that won't happen morrow".

NEWS DIGEST

AT&T in Internet service merger

AT&T New Media's Business Network is to be merged with Industry Net, an electronic commerce venture, to create a new company focused on providing information and electronic

commerce services to businesses on the Internet. The new company, called Nets Incorporated, will be headed by Mr Jim Manzi, who joined industry. Net in January as president and chief executive. He was formerly chairman and chief executive of Lotus Development, e personal computer software company acquired last year by international

Nets Incorporated will combine the Business Network's business news and information resources with Industry Net's online marketplaces for business to business commerce. Financial terms of the transaction were not revealed, but AT&T will become a minority owner of Nets Incorporated and

will be represented on the board of the new company.
Industry Net, a five year-old company that launched its Internet services last year, has attracted more than 200,000 industrial equipment purchasers and 4,500 vendors of equipment whose product catalogues appear on the

Industry.Net Web site. Mr Manzi said that AT&T, which will license the use of its name to Nets Incorporated, would help to draw more users to the electronic commerce services. "One of the keys to building successful buying and selling communities on the Web is having compelling content," he said.

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Sara Lee to buy Lovable Italiana

Sara Lee, the US food and consumer products group, is making the latest in a series of European acquisitions by agreeing to buy Lovable Italiana, a leading Italian maker of underwear, which is marketed under the Lovable brand name

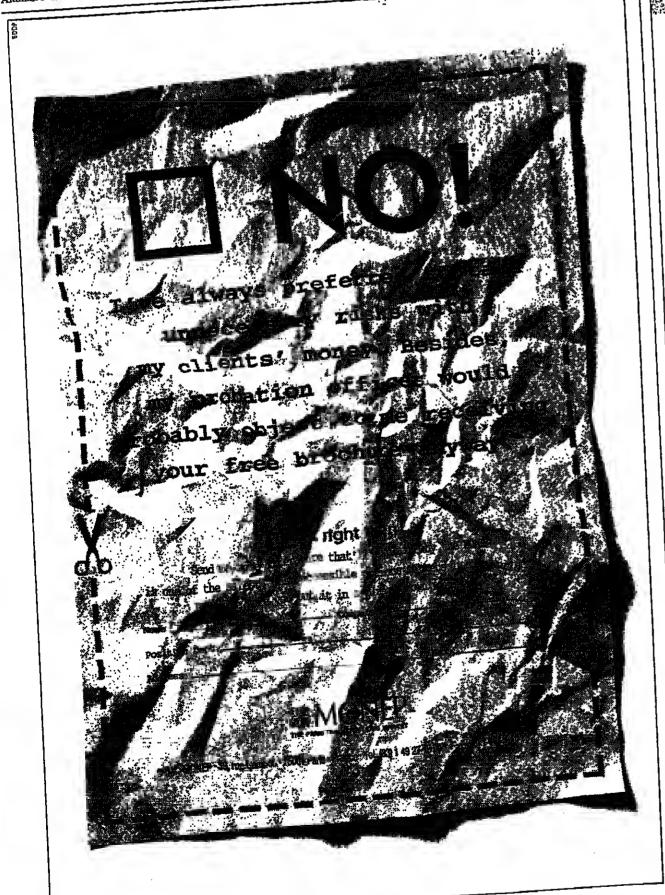
Terms have not been disclosed. Lovable has annual sales of about \$115m, some of them in Italy, where it has an established distribution network, and the rest through exports to other European countries. Sara Lee said the acquisition was consistent with the company's plan to build up its portfolio in intimate apparel brands, which includes Dim. Playtex, Bali and Wonderbra.

In April, Sara Lee paved the way for a big expansion of its processed meat business in Europe by announcing that it had agreed to buy the French processed meat producer Aoste, one of Europe's largest processed meat companies, with annual sales of about \$550m. Both deals are expected to close this summer, subject to regulatory approval.

Richard Tomkins, New York

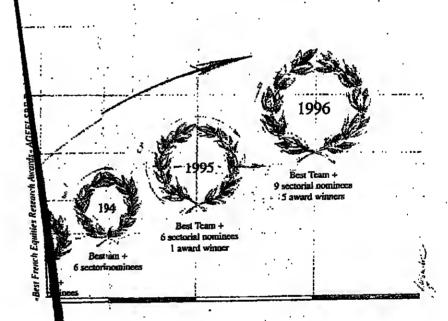
TCI and News Corp in cable deal News Corporation's 24-hour television news service, the first substantial challenger to the established international Cable News Network, will be piped to 10m US homes this autumn by Tele-Communications Inc. the leading cable television provider. TCI, which gains an option to take a 20 per cent non-voting stake in the channel as part of the deal, will roll out the new service to 90 per cent of its 14m customers in the next two years.

The agreement, announced yesterday, tightens links between TCI and Mr Rupert Murdoch's News Corp, which already include a 50:50 partnership in a projected global network of sports television services. Reports that Mr Murdoch was prepared to pay cable providers as much as \$10 for every subscriber signed up are understood to have prompted ABC, the Disney-owned TV network, to shelve its



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TREMPTOWN AND LESS OF THE LANGEST MOVES



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Derivatives revamp urged in Australia

A government advisory committee has recommended a shake-up of Australia's derivatives markets. The changes will essentially remove the distinction between futures and securities based products, and allow any authorised exchange to handle standard derivatives transactions. The draft report, from the Companies and Securities Advisory Committee, follows a long tussle between the Sydney Futures Exchange and the Australian Stock Exchange. The former is permitted to trade futures, and the latter securities and securities-related products such as options.

The two exchanges became embroiled in a legal battle two years ago when the SFE said it would launch "individual share futures" - covering Individual stocks such as BHP. The ASX countered with some deep "in the money" call options with low exercise prices - effectively replicating some of the futures contracts' main features.

Under the CASAC proposals, both the SFE and the ASX could seek to be general derivatives exchanges. Once accepted by the authorities, they would be entitled to trade any class of derivative, including at least part of the large market in over-the-counter customised derivatives. The CASAC report also suggests that new derivatives exchanges be permitted, subject to ministerial approval. It acknowledges that technological changes could allow for direct screen-based trading – with minimal input from brokers – and recommends that this be considered. "Future technological developments could reduce, if not eventually eliminate, the role of brokers as intermediaries on some exchanges," it says. "The regulatory controls should be sufficiently flexible to accommodate the possibility of non-intermediated as well as intermediated derivatives exchanges.

The Sydney Futures Exchange welcomed the report. "Hopefully, this will put an end to any further attempts to divide up territory and put artificial roadblocks in the way of the SFE offering a full range of derivatives," said Mr Les Hosking, chief executive. The advisory committee will seek Hosking, chief executive The data of August. submissions on the report until the end of August. Nikki Tait, Sydney

Renison builds Cudgen RZ stake

Renison Gold Fields, the Australian mining group in which Britain's Hanson holds about 40 per cent, has acquired a 19.9 per cent stake in Cudgen RZ from a subsidiary of South Africa's Gencor. It is also making an offer for the remaining shares at the A\$2.18 each. Cudgen is an Australian-listed company whose main interest is a 50.1 per cent stake in Consolidated Rutile, the mineral sands producer with operations in Australia and West Africa, including a 50 per

cent interest in Sierra Rutile in Sierra Leone.

The bid by RGC values Cudgen at around A\$80m (US\$63.2m). Minsaco Resources, the Gencor subsidiary which sold the initial 19.9 per cent to RGC, still holds a further 30 per cent. RGC said yesterday Minsaco had indicated it would accept an offer in respect of this stake in the absence of a higher bid. RGC said the offer was designed to give it operational control over CRL "with the immediate priority being to take a majority holding in Cudgen". It said it did not expect to maka

an offer for the minority holdings in the mineral sands group.

The bidder said it wanted to strengthen its position as a significant mineral sands producer. Both companies are big producers of rutile and zircon. CRL accounts for about 25 per cent of Australia's rutile production and 10 per cent of zircon. Its main mining operations are on North Stradbroka Island east of Brisbane. Shares in Cudgen yesterday surged 74 cents, or almost 50 per cent, to close at A\$2.22.

Van der Horst expands

Van der Horst, the Singapore engineering and infrastructure group, has agreed to buy 35 per cent of PT Super Indah.
Makmur, the Indonesian packaging company, for Rp43.49bn
(\$18.7m). It said it would also tender in buy another 14 per cent
of the company. Van der Horst said the purchase of the stake
in the Indonesian company, which is moted on the Indonesian in the Indonesian company, which is quoted on the Jakarta Stock Exchange, was in line with its objective of establishing a listed vehicle in each of the main countries in which it

Van der Horst said it had acquired the shares from PT Topas Investing. It said it would finance the purchase through a combination of internal resources and debt financing. The acquisition was not expected to have any material impact on its group earnings per share for the current year ending September 30 1996.

Garuda listing in 1988

Garuda, Indonesia's state-owned air carrier, will be listed on domestic stock markets in 1998 after restructuring its finances the official Antara news agency said yesterday. The government has said on several occasions it planned to list Garuda and some other state-run companies on the Jakarta and international stock markets as part of a move to reduce

Mr Soepandi, Garuda's president, was quoted as saying: Mr Soepandi, Garuda's president, was quoted as saying:
"Garuda Indonesia will enter the domestic stock markets in
1998 after restructuring its capital and organisation." The
government has said it would pay off Garuda's debt, worth
Rpl.6bn, for the purchase of nine aircraft. This would later be
converted into equity in the company. Garuda has nine
aircraft on order from Boeing. It reported profits of Rp350.6bn
Agencies. Jakarta in 1994, up from Rp7.7bn in 1993.

Nihon Cement back in black

Nihon Cement, one of Japan's three largest cement companies, said yesterday it swung to a consolidated pre-tax, or recurring, profit of Y3.49bn (\$32m) for the year ended March 31 from a loss of Y2.39bn a year earlier. Sales advanced to Y327.16bn from Y314.65bn last time. The latest results compare with Nihon Cement's forecast for consolidated pre-tax profit of Nihon Cement's forecast for consolidated pre-tax profit of Y3bn and sales of Y323bn. For the current fiscal year, which ends on March 3I 1997, the company said it expected to post group pre-tax profits of Y7.6bn and sales of Y344bn.

Asustek sets IPO price

By Kunal Bose in Calcutta

India'a leading hotel companies

recorded strong profit increases for the year to March

as luxury hotels reported occu-

pancy rates of 30 per cent -

capacity had been created in

The industry estimates India

will need at least 125,000 hotel

some of the world's highest

Asustek Computer, one of the leading makers of computer mother boards, has set a tentative price of NT\$98 each for the 23m shares slated to be floated in its initial public offering, according to an official at lead manager Grand Cathay Securities Corp. The selling price is one of the stock market's highest in recent years.

Petronas taps phtential of sanction-free S Africa

Its investment in Engen comes asoil industry controls are being dismantled, writes Mark Ashurst

ha sconisition by Petronas, the state-owned Malaysian oil and gas company, of a 30 per cent stake in Engen, the South African oil refiner and retailer, was an unexpected omen for a liquid fuels industry on the brink of radical change.

"It is hard to find any part of the oil business where bigger is not better," said Mr Jacques Piccard at broker Smith Borkum Hare in Johannes-

South Africa has seven domestic oil companies, giving It the highest concentration by market size in the world, and there is clear scope for economies of scale. Until now, retail petrol prices and profit margins have been set by the staterun Cantral Energy Fund, which managed the nation's fuel reserves during the sanc-

tions era. The relaxation of controls on crude oil imports last year was widely seen as the first step in the creation of a more competitive industry. The Patronas deal, believed to be the largest single foreign capital investment in South African history, is the latest evidenca of

analysts found it hard to pr dict the impact of the RLS (\$435.3m) transaction on industry braced for dere lation. "Petronas have go good asset and for them it great geographic ploy, but t have not gone into much de on synergies," said Mr Picc Petronas, which will bec

resumed trading last wee

Engen's largest shareho will pay a premium of 35 cent on the closing price o share on June 11 aharas Engen'a suspended. The transa involves a general exoffer to all existing share ers, and a Rolom rights by Engen. Significant e balance will be made u direct transfer to Pes from Sanlam, the inste group, and Rembrance tobacco and luxury

group, which togethe Negotiations with the institutions "almost deal" at the last ate, and it took an all-nigrotiaccording to Petrona ating session before hent was reached.

Mr Marinus Dalir lam

stake on completion. "We are looking for a smaller stake in a new operation - a normal portfolio investment. Criticism that local conglomerates will not let foreigners into the economy is simply not true," he said.

tins, is compelling. Petronas's strength as a sig-

nificant oil trader should help guarantee Engen a stable supply of crude and strengthen the negotiating position of both groups in the interna-tional market. "There are terrific opportunities for crude procurement and trading." says Mr Rob Angel, Engen chief executive.
The real benefits of the deal

will take tima to emerge. Engen leads the South African retail market with a 24 per cent share, but has lost ground from its peak of 26 per cent. Its unlisted competitors, notably Shell and BP, have exploited

Engen will not disclose its plans for the R605m cash injection, but it will reduce the gearing on its R1.1bn debt from 27 per cent to 12.5 per cent.

The logic of co-operation around the Indian Ocean rim. where Petronas has a fledgling distribution network in the Seychelles and Engen is building an export market in Mauri-

South African refinery capacity

the marketing and refining expertise of their international parents in gain market shares of 20 per cent and 17 per cent Without an international

partner, there would have been a good short-term return on ity was suspect," says Mr Pic-

Talks on a merger with Sasol, the synthetic fuel pro-ducer that manufactures oil from coal, are likely in resume in the near future. In a deregu-lated market, Sasol will face

ble in the upstream business. where Engen has a 60 per cent stake in its recently listed subsidiary Energy Africa, which has extensive prospecting rights to oil and gas fields.

increasingly competitive supplies of imported crude. A

merger with Engen would

increase its share of the retail market from 7 per cent in a

combined 31 per cent, with

scope for improved efficiencies at Engen's refinery.

Previous talks were curtailed

ture. That issue has been

resolved and Engen can return to the bargaining tabla,

strengthened with its new

Mr Dato Hassan Marican, Petronas chiaf executive, describes tha investment as "not just a corporate deal" but "a partnership and a commitent to the entire continent of Africa"

refinery. South Africa was one

of the world's four fastest

growing energy markets in

1995. Demand for liquid fuel is

growing at 1.5 times GDP and

will exceed current capacity by

Further synergies are possi-

His claim lends substance to the argument of many South African politicians that tha country needs to re-fashion its economic allegiance with Europe, a relationship which dates from the colonial era. and develop closer ties with the tiger economies of south-

by a dispute between Sasol and Total over a joint refining veneast Asia. It is also ironic thet the Petronas investment is likely to scupper Pretoria'a plans to

A deal that shys the way forward for the oil industry

The Petronas/Engen deal could one day be seen as the model for a series of alliances linking emerging oil companies in Asia, Africa, the Middle Rast and Latin America, say bankers and oil industry analysts.

The mainly western oil and gas najors remain the dominant force in the energy industry, with those ranked in the Fortune 500 alone accounting for a combined worldwide

Azon board

recommends

A\$300m bid

Illinois Tool Works, the divarsified Chicago-based

group, has come in tha rescua of Azon, the Australian manufacturer, with a A\$300m (US\$237m) takeover bid. The Australian company,

spun off from the Boral building materials group three years ago, had been trying in fight off a lower offer from

Pacific BBA. Azon said yester-

lay it was recommending shareholders to accept the ITW

offer in the absence of any higher bid.
The ITW bid is worth A\$2.40

per Azon share, and sharehold-

ers will also get a special divi-dend of 7 cents per share. Pacific BBA, another Austra-

lian company involved in automotive components, plastic

products and construction-re-

ated supplies, was offering one

of its own shares plus A\$1.45 in cash for two Azon shares or a

pure cash alternative of A\$2.10 per Azon share. Its cash alter-native put a price-tag of about

Azon said the new bid which is subject to approval from Australia a Foreign

Investment Review Board was in the A\$2.40-A\$2.71 a

share range suggested by s

recent independent adviser'a report and represented a clean cash offer". It said it had had a *close working relationship" with Signode Corporation, part of tha ITW group.

since the 1950s and was no lon-

ger in talks with any other

potential third party bidders. Pacific BBA said it would await formal details of the bid before deciding its next move.

ITW had sales last year of more than US\$4bn. Its manu-

facturing activities include construction fasteners and

packaging systems. Azon's

strapping to steel and iron castings and metal pressings.

A\$260m on Azon.

from ITW

By Nikki Tait in Sydney

But man try observers foretors emerging over the next dom newly industri-alising co. And these are likely to ate their efforts in the worldst growing energy mina of Indonesia.

fland all have the and PT become. 'eastern potenti majors' r Philip Lambert of on the Engen deal. Of the three, Petronas, which wants 30 per cent of its gross revenues from sources oniside Malaysia by 2005, is seen as the most advanced. in terms of commercial competence and confidence to compete against

the established western companies. Unlike many state oil companies, it has a relatively high degree of independence from the government. It has strong relations with several

wort Benson, which advised Petronas Middla East countries including Yemen, where it is involved in a refinery and in other Islamic countries in south Asia and Africa. But Dato Hassan Marican, the Petronas chief executive, "did not want to use politics in open the door" in the Engen deal, says Mr Simon Parker, a Klein-

Proof that politicians were not involved is that the deal remained confidential, said Mr Lambert. But he admits the good political links provided a favourable backdrop.

So can the Engen/Petronas deal be replicated? Mr Lambert believes there are "a whole range of alliances to be done". The key, he said, is to link minority equity stakes in a commercial and strategic plan in a way that does not threaten the interests of either company. "Autonomy for the local management is a key issue," adds Mr Lambert, "Western majors

often find that point difficult."



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BANCO BILBAO VIZCAYA • BANCO EXTERIOR DE ESPAÑA • BANCO INVERSION • BANCO SANTANDER • BANKINTER • DEUTSCHE BANK Options and Futures trading requires constant monitoring of positions. These instruments carry a high degree of risk if not properly managed. Profit can quickly turn to loss as a result of price movements. Options and Futures trading requires knowledge and sound judgement.

The groups were boosted by chain, reported operating profits up 77.5 per cent to Rs2.41hn near 10 per cent growth in tourist arrivals and the short-(\$69.15m) on the back of a 43.3 age of quality accommodation per cent increase in turnover in the major Indian cities which enabled them in raise to Rs5.47bn. Net profits were np 71 per cent to Rs1.41bm, after Rs204m room tariffs Analysts said the outlook for of depreciation, Rs412m of the industry this year was interest and Rs390m of tax. even better because no new

rooms by the turn of the cen-tury. At the moment it has

about 60,000. Shares in hotel

companies remain in strong

demand, particularly from the foreign institutional investors.

Indian Hotels, the industry

leader belonging to the Tata

group and owner of the Taj

The company is recommending a dividend of Rs7.5 a share, up from Rs5.5 last time.

ITC Hotels, part of the ITC

Room shortage lifts Indian hotels group, posted a 73 per cent in turnover to Rs1.24bn l profits increased 103 per c to Rs265.2m. The dividend Rs2.75 a share against Rs2.5

Bharat Hotels, which or the New Delhi Hilton, pos strong rise in income helped "a very high level of re occupancy". Net profits 49 per cent ahead to Re3 Earnings per share ros Rs28.12 from Rs18.85.

Hotel Leelaventure, has properties in Bomba Gos, reported net profits cent higher at Rs440m. ings per share rose shar Rs13.46 from Rs9.71 ar company recommended dend of Rs4 a share,

LEX COMMENT

Woolwich

That Mr John Stewart has

would have to offer a premium to win control, and members

would get their cash windfall more quickly. For another, Woolwich's medium-term prospects look distinctly mixed. If

members hang on to their shares after conversion, they face a strong likelihood that mortgage-lending margins will come under further pressure. And like so many others in the financial services sector, Woolwich is filled with an ill-defined

anthusiasm to rush out and make acquisitions. With five year

protection from takeover on offer after conversion, there are

few disciplines to keep a spending splurge under control.

Fortunately, the Woolwich's keen advocacy of consolidation

in financial services will make it rather hard to argue that a bidder has no case: if Mr Stewart thinks it makes sense for the

Woolwich to buy a life assurer or another building society, the

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tine per

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and .

been with the Woolwich

almost all his working life is

no criticism of the building

society's new chief execu-

tive. But by opting for a rela-

tively unknown, as opposed to a heavyweight outsider. Woolwich has done nothing

to increase its chances of

making it to conversion next

vear as an independent

entity. The good news is that

however much the board

may hanker after indepen-

dance, a takeover would almost certainly serve mem-

For one thing, a bidder

bers' interests better.

NOTICE OF EARLY REDEMPTION

Crédit Lyonnais

US\$ 1,250,000,000 Floating Rate Notes due 1998

Pursuant to paragraph 3(c) Redemption at the option of the Bank of the terms and conditions of the Notes, notice is hereby given that the Bank will redeem at per on the next interest Payment Date (i.e. July 31, 1996), a nominal amount of USS 250,000,000.

The Notes bearing the following serial numbers have been drawn by lot in the presence of a Notary Public and may be presented for redemption to Kredietbenk S.A. Lusambourg, 43, Boulevard Royal Luxembourg.

Denominations of US\$ 1,000: № 97.023 to 122.022 incl. Denominations of US\$ 10,000: N° 125.359 to 135.358 incl.
Denominations of US\$ 100,000: N° 175.001 to 175.250 incl. Nº 180.251 to 181.250 incl.

Notes surrendered for redemption must have coupon due Octo ber 1996 and subsequent attached. Payment of interest due on July 31, 1996 and reimbursement of rincipal will be made in accordance with the terms and conditions

of the Notes. Interest will cause to accrue on the above drawn Notes as from July 31, 1996.

Amount remaining outstanding: US\$ 1,000,000,000

Luxembourg, June 25, 1996



SUN LIFE GLOBAL PORTFOLIO

Notice of Annual General Meeting

the management report the report of the Audi To approve the Source ended 31st March 1996.

Approval of the above resolutions will require the affirmative water of a majoracy of the above resolutions will require the affirmative water of shares present or represented at the Meeting with no minimum nature of shares present or represented in other flor a quorent to be present. Each whole share is estimled to one vote. A structholder many act at any meeting.

GIVE US A STAPLE

And don't forget to add your cheque to fund more Macmillan Nurses to help 1,000,000 people living with cancer. (1 in 3 of us will get cancer)

Cheque amount £..... made out to 'CRMF (F3)' Please send it to:

CRMF FREEPOST LONDON SW3 3BR

Macmillan

Cancer Relief Macmillan Fund exists to support people with cancer and their families. Regd. Charity No. 261017

COMPANIES AND FINANCE: UK

New Woolwich thief backs float

By George Graham, Banking Correspondent

The Woolwich Building Society yesterday ended three months of speculation over whether it was still on course for a 1997 stock market flotation when it appointed a new chief execu-

Mr John Stewart, the group operations director who has spearheaded the Woolwich's expansion into the insurance industry and on to the Conti-nent, will replace Mr Peter Robinson, who was forced to resign in April after a row over

Mr Robinson's resignation raised doubts over how firmly the Woolwich was committed to the plans it announced in January to convert into a bank and float on the stock market.

Banks and insurance compa-nies which have been eager to buy a building society hur-riedly dusted off their files on the Woolwich, hoping its sud-den management hiatus might lower the price But Mr Stewart said yesterday the society was "bang on schedule" for conversion and a flotation probably in the middle

Zeneca, the UK's third largest drugs company, has won approval to sell its new Merrem

antibiotic in the US, the wor-

Although Zeneca is best

known for cancer and heart

disease drugs, Merrem prom-

ises to be ona of its more

important products. Analysts'

peak sales forecasts range up

to \$500m (£327m) a year.

RESULTS

ld's biggest medicines market.

Zeneca wins US approval



John Stewart: hang on schedule for a High m and flotation

"I think there has maybe been a feeling that people could get this business on the cheap. Well, if you are serious, you are going to have to put up a lot of money," he said. He acknowledged the Woolwich

Merrem is a "broad spec-trum" antibiotic which can be

used by adults and children for

different infections. It works

against many different bac-

teria, including some that are

resistant to other antibiotics,"

In the US alone about \$5.3hm

is spent annually on in the treatment of infections with

according to Zeneca.

antibiotics, said Zeneca.

(8.66) (6.37) (346.9) (21.6) (0.0696)

(14.8) (64.7) (26.7) (2.56)

(87.8

3,57 8.08

15.7

231 131

Earnings shown basic. Dividends shown not. Figures in brackets are for corresponding period. AUS currency.

After stock. A Comparatives restated.

Second interfere makes 2.26p to date. AComparatives for 15 months.

6 miths to Apr 30 *

more telephone calls sounding out its about an acquisition, thing firm.
"Wh haven't had is anything constitutes a tion or an offer."

Mr Stewart said the converted Woolwich would not be a large universal bank, but would be "big enough to compete on our own in the sector we have chosen. We don't need a partner. If someone needs us, they are going to have to pay a very high price for a group of companies that is now extremely

The society is one of the largest UK mortgage lenders with £28bm (\$42.8bm) of assets at the end of last year.

Sir Brian Jenkins, the society's chairman, said Mr Stewart had been carefully measured against a fiald of external candidates and was without question, the right man to lead the Woolwich to conversion and flotation next

However, the selection process has taken longer than the Woolwich had originally

hoped.
Mr Robinson yesterday applaudad Mr Stewart's appointment, "I think he is a natural successor. It's a good appointment to keep them on course for conversion

Woolwich officials said a settlement with Mr Robinson was expected this week.

Maower adjourns EGM

Mayflove engineering company day adjourned its EGM id it was still consider position after its \$226m takeover bid Mayilot for Pulh US automo tive com trumped \$300m offer from Tempe Houstonconglomer-

It also

EP\$ (0)

(3.51)

This an

9.43L 0.71† 15.07† 9.8 0.11L

5.09L†

paid rights shares would not start today, as driginally sched-

to become a global vehicle

logic should work the other way round. Although the Wool-wich board may take some persuading of that in practice, a bidder could always take a leaf out of Abbey National's book when it was courting National & Provincial and make its bid

Mayflower, which is seeking

5.2

ge. †On increased capital, ‡On reduced capital. §USM

systems supplier and vehicle builder, is believed to have been encouraged to consider countering Tenneco's offer by a closer examination of some \$200m in tax losses incurred by

10.9

Willis Corroon to sell US offshoot for £21m

By Raiph Atkins,

Insurance Correspondent

Willis Corroon yesterday ed plans to sell its US life and health reinsurance subsidiary for \$82.3m (£21m) ash, completing the insurance broker's withdrawal from active underwriting. The sale of Nashville-based

Consumer Benefit Life Insurance follows the completion last year of Willis' withdrawal. from non-life insurance with the sala of its stake in the Gryphon group of US insur-

Willis, however, still has; some insurance operations in "run off" - with claims still being serviced but no new business being taken.

CBLI is being acquired by Gerling Global US Investments, part of the German

insurance group.

Mr Brian Johnson, Willis vice-chairman with responsibility for US activities, sald CBLI had made a "valuabla contribution" to the group's results, "but the sale is a further indication of our commitment to increasing shareholder valua by concentrating our manage rial and financial resources on our core businesses".

· Last year, CBLI contributed \$2.9m to Willis' pre-tax profits. But the impact on this year's results of profits up to comple tion of the sale and investment income on the cash consideration is not expected to be sigmificant.

SPANISH NUCLEAR MORATORIUM

FONDO DE TITULIZACION DE ACTIVOS RESULTANTES DE LA MORATORIA NUCLEAR

RESULTS OF THE AUCTION

ordance with the Auction Conditions for the Auction to Select Financiers of the Fondo de Titulización de Activos resultantes de la Moratoria Audier, the suction was held on June 20 1996, in the Direction General del-Tesoro y Politics Financiera, Paseo del Prado, 6, Medidi, with Mr Federico Feneral Delso. as representative of the Direction General del Tesoro y Politics Financiera, Paseo del Prado, 6, Medidi, with Mr Federico Feneral Delso. as representative of the Direction General del Tesoro y Politics Financiera action as Direction Table and Mr Antonio. Nuclear, the succion was hard on June 2u 1996, in the Direction General del Tesoro y Politica Financiera, reset del Tradition Table, and Mr Antonio Fernandez-Golfin, Notary and dean of the Colegio Notarial of Madrid, as Secretary.

In accordance with the Auction Conditions, the award resulting from the Auction Implies the full and automatic assumption by the awarded institute and automatic assumption are also assumption as a second and a second and a second are also as a second and a second are a second and a second and a second are a second are a second and a second are a second are a second are a second and a second are a second are a second are a second and a second are a second ar in accordance with the Auction Conditions, the award resulting from the Auction implies the full and automatic assumption by the awarded institution the obligations arising from the Bonds and of the Amounts of Loan A and B respectively awarded. The awarded institutions must appear for the sign of the Certificate of Awardees of the Bonds and the Public Deeds of the Loans, as appropriate, at the place and data indicated below. The disburse of the amounts awarded must take place on July 4, 1996, in accordance with the procedure established in the Auction Conditions.

In conformance with Condition 9.7 of the Auction Conditions, the Certificate of the Auction, to which the Bids filed will be attached, will not be made in conformance with Condition 9.7 of the Auction Conditions, the Certificate of the Auction, to which the event of hispation, without prejudice to the Bidding public, and will be retained by the Notary, who will only deliver it to the competent Judge in the event of hispation, without prejudice to the Bidding public, and will be retained by the Notary, at their cost, confirmation of the inclusion of their Bids in the Auction procedure and of the results of the institutions right to request from the Notary, at their cost, confirmation of the inclusion of their Bids in the Auction procedure and of the results of the

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50,000,000,000

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35,000,000,000

jons awarded the Bonds and amounts awa - Banco Bitheo Vizcaya, S.A. - Morgan Stanley & Co. Intl. Ltd. - Ceja de Madrid - Bilibao Bizkala Kuba

19,000,000,000 - Bear Steams Int. Ltd. 10,000,000,000 5,000,000,000 1,000,000,000

TOTAL AWARDED (Pessins) 215,000,000,000

Margin below UBOR applicable to the Bonds resulting from the Auction: 0,067% at 11:00, at J&A GARRIGUES ABOGADOS, José The signing of the Certificate of Awardees of the Bonds will take place on June 25, al, 45, 28003 Madrid.

ntons awarded participations in Loan A and participation amounts: 125,000,000,000 Banco Central Hispanoemericano S.A. 88 DOO 000,000 - Banco Bilbao Vizcaya S.A. 37,000,000,000 Confederación Española de Cajas de Ahonos 26,000,000,000 - Banco Exterior de España S.A. 24,000,000,000 Caja de Madrid 15,000,000,000 - Bilbac Bizicaia, Kubu 5,000,000,000

2,000,000,000 TOTAL AWARDED (Per

The signing of the Public Deed of Loan A will take place on June 25, 1996 at 12:00, at J&A GARRIGUES ABOGADOS, José Abascal, 45, 28003

Institutions awarded participations in Loan B and participation and - Banco Ceraral Hispanoamericano S.A. 96,000,000,000 34,000,000,000 Banco Bilbao Vizcaya S.A. - Caje de Madrid 15,000,000,000 - Bilibeo Bizkaria Kubal 7,000,000,000 - Banco Exterior de España S.A.

- Contederación Española de Cajas de Ahorro 6,000,000,000 TOTAL AWARDED (Pesetas) 178,000,000,000

Margin over MIBOR applicable to Loan B resulting from the Auction: 0,030%. The signing of the Public Deed of Loan B will take place on June 25, 1996 at 13:00, at J&A GARRIGUES ABOGADOS, José Abascal, 45,28003

Titulización de Activos SGFT, S.A.

Tarmac



Fairley Prison Services Limited

£95,500,000

Project Financing Facilities

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Bank of America International Limited

Lead Managers:

ABN AMR

Bank of America NT&SA

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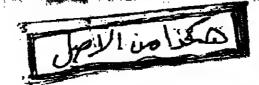
The Royal Bank of Scotland pic

Manager:

Union Européenne de CIC

America International Limited





COMPANIES AND FINANCE: UK AND IRELAND

central London.

Tullow Oil launches £30.3m rights issue

Tullow Oil, the Dublin-based oil and gas exploration and production company, has launched a 1-for-5 rights issue to raise £30.3m (\$46.35m) for developing existing licences and further exploration.

The issue, at 80p a share, is underwritten by Riada, Hoare Govett's Irish broking arm. The shares closed up 3½p at 891/ap yesterday.

Mr Aidan Heavey, chief executive, said most of the money would be spent on appraising some 14 wells in Pakistan, four of which have already been

coveries. The rest will be spent on licence development in Syria and on new sites in India and Bangladesh.
"We have spent a lot of time

and money building up onr acreage position over the past two years. We had to raise cash to develop these assets quickly and to raise potential for our shareholders."

Takeover speculation mounted in the sector after Statoil's £203m takeover of Aran Energy in November, but Mr Heavey, who helped form Tullow nine years ago, said the group would not welcome

potential takeover moves. "We have not yet developed our assets and we have no intention of being taken over until we know exactly what those assets are worth," he said.

The company, which is listed on the London and Irish Stock Exchanges, last raised capital two years ago with a £5.8m placing and open offer at 22p a share. Production in Senegal and the UK helped the company to a 52 per cent rise in 1995 operating profits to IE1.97m (£2m) on revenue 47 per cent higher at 155.3m. The company is yet to pay a divi-

BTP on acquisition trail

By John Authers

Corroon to sell

Ishwar for £21m

irmac

ces Limited

BTP, the speciality chemicals group, yesterday predicted it would make further substan-tial sequisitions after reporting a 19 per cent increase in profits, before £7m of exceptionals

charges, to £44.5m (\$68m). Including the charges £1.53m for rationalisation in the adhesives and textile coatings division, and a loss of £5.42m on the sale of the polymers division - pre-tax profits for the year to March 31 showed little change at £37.6m. on turnover ahead 13 per cent

Mr Steve Hannam, chief

ing it presented "more new opportunities for growth than

has been seen before". The results were achieved despite difficulties for the chemical industry caused by sharply rising raw materials

Mr Hannam said: "We've got very small borrowings, so we would be looking to buy with cash. It's a good time to have a strong balance sheet, and we have the capacity to make quite a big acquis-

During the year, BTP bought TCC bactericide for soaps from Monsanto for £3.7m, and Incal

No further diversification is planned; any purchases will fit with current core businesses. There are unlikely to be any further disposals, however, after the sale in June of the polymers husiness for £6.5m.

Mr Hannam added that he had no intention of selling the safety equipment business, although it has little link to the rest of the company's activities. He said it was a good cash generator and was also counter-cyclical to the chemicals market.

BTP is also looking for further organic growth, having made record capital expendi-



Bullish: (L to R) John Ketteley, chairman, Steve Hannam and Robert Martin, finance director

BURMAH CASTROL CAPITAL (JERSEY) LIMITED

£56,000,000

9½% Convertible Capital Bonds Due 2006

guaranteed on a subordinated basis by

BURMAH CASTROL PLC

Notice of Exercise of Conversion and Exchange Rights by The Law Debenture Trust Corporation p.Lc.

Burmah Castral Capital (Jersey) Limited (the "tesuer") hereby gives notice to holders of the Bonds in bearer form which had not been surrendered for conversion and exchange at the close of business in London on 13th June, 1996 (the "Unconverted

Capital Bonds") that: Pursuant to the Required Redemption Notice given to you on 20th May, 1995 giving you notice that the Issuer would on 20th June, 1996 redeem all of the Bonds (mounting those in registered form) then outstanding in accordance with Condition 6 of the Bonds, your Conversion and Exchange Rights under Condition 5(a) of the Bonds terminated at the close of business on 13th June, 1996;

Pursuant to Condition 5(d) of the Bonds and Clause 6(B) of the Trust Deed constituting the Bonds, on 4th June, 1995. The Law Debenture Trust Corporation p.Lc. (the "Trustee") elected to exercise the Conversion and Exchange Rights in respect of such of the Bonds then outstanding as were due for redemption on 20th June, 1996 and the Ordinary Shares allotted on the exercise of such rights in accordance with the Conditions of the Bonds were sold by the Trustee could be 1995.

Accordingly, instead of the redemption amount (including interest payable on the Bonds) of \$5,237.50 for each \$5,000 nominal amount of Unconverted Capital Bonds which would have been available had the Trustee not elected to exercise its Conversion and Exchange Rights, the net proceeds of the sole of the Ordinary Shares are available for distribution rateably to Bondholders who hold Unconverted Capital Bonds in the amount of \$8,330.05 per \$5,000 nominal amount of Unconverted Capital Bonds (boling the due proportion of the aggregate of the total net proceeds of all all against the due presentation in accordance with Condition 5(d) of the Bonds by them of their Unconverted Capital Bonds, togather with all coupons, at the specified office of a Paying and Conversion Agent during its usual business hours subject to and in accordance with Condition 13 of the Bonds.

PRINCIPAL PAYING AND CONVERSION AGENT The Chase Menhattan Bank, N.A. Woolgate House, Coloman Street, London EC2P 2H0

OTHER PAYING AND CONVERSION AGENTS

24 Avenue Marno B-1050 Brussel

Chase Manhattan Bank Luxembourg S.A. 5 Rue Plaetis

(Switzerland) 3 Rue du Rhône

By: The Chase Med

sh Castrol Capital (Jersey) Limited

25th June, 1996

Standard & Chartered

Standard Chartered PLC (Incorporated with limited liability in England)

£300,000,000 Undated Primary Capital Floating Rate Notes of which £150,000,000 comprises the Initial Tranche

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the three months period (92 days) from 24th June 1996 to 24th September 1996 the Notes will carry an Interest Rate of S 1/s per cent per annum

The interest payment date will be 24th September 1998. Coupon No. 45 will therefore be payable on 24th September 1996 at £761.95 per coupon from Notes of \$50,000 nominal and \$76.20 per coupon from Notes of \$5,000 nominal.



J.Henry Schroder & Co. Limited Agent Bank

£150,000,000

Floating Rate Notes due 1997 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 20th September, 1996 has been fixed at 6.0625% per annum. The interest accruing for such three month period will be £152.39 per £100.000 Bearer Note, and £1,523.91 per £100.000 Bearer Note £1 September, 1996 aga presentation of Coupon No. 16. Union Bank of Switzerland London Branch Agent Bank 20th June, 1996

U.S. \$150,000,000 HSBC Americas, Inc. **(X)** Floating Rate Subordinated Notes Due 2009

A smiling optimist at Trafalgar's helm

M r Erik Tonseth Erik Tonseth, head of Kvaerner outlines some of his plans for the dence, or brayado, of recently marged engineering group to Andrew Toylor and Time Power a man who has just paid more than £900m for Trafalgar House, one of Britain's best known companies. "I am sure." he smiles "that there are no

black holes for us to discover." Shareholders of Kvaerner, the Norwegian engineering and shipbuilding group of which Mr Tonseth is chief executive, must hope his optimism is not misplaced.

They will not want to ha reminded that Sir Nigel Broackes, founder and former chairman of Trafalgar House, displayed similar confidence when the group bought Davy Corporation, the lossmaking engineering and metals pro-cessing business in 1991.

Continued losses at Davy and other acquisitions were among the main reasons con-trol of Trafalgar was lost to Hongkong Land in 1993. The Kvaerner hoss has com-

pleted a preliminary investigation of the businesses, which include John Brown and the Cunard cruise line, as well as Davy. He has concluded that the £513.1m provisions announced last year by Trafalgar House are more than enough to cover any contingen-

In addition to taking stock, Mr Tonseth has also embarked on a substantial overhaul of the management structure and operating culture at Trafalgar

He has swept away the semiautonomous structure which allowed divisional executives, often characterised as barons to set their own agenda, within financial guidelines established by the main board.

He is replacing this with a more centrally controlled business with all the eight divisional heads of the merged Kvaerner/Trafalgar group working closely together at a recently merged engineering group to Andrew Taylor and Tim Burt lines of communication, that

he is seeking to establish. For the Scandinavian chief executive, Trafalgar has long from overcapacity.

Kvaerner's shipbuilding profits collapsed in the first quarbeen its preferred international partner, in spite of Kvaerner's failed bid at the end of last Having achieved

the scale to catapult Kvaerner on to the international stage, Mr Tonseth needs to

Mr Tonseth, who is moving

to England with his family,

considers Trafalgar's existing

West End offices too large for

the tight-knit senior manage-ment community, with short

extract a better performance from Trafalgar, which last year reported operating losses of £108.4m

year for another construction group, Amec. He says that unlike previous management at Trafalgar, the strategy will be determined by operational managers with expertise in industrial engi-

neering rather than financial

engineering. Executives will be more closely associated with markets and production processes, and therefore better placed to carve out improved margins in an industry which Mr Tonseth admits is suffering from over-

Kvaerner realised that to win international construction and engineering work, it needed to be much bigger, and to have, in Mr Tonseth's opinion, "a visible presence in London". The Trafalgar acqui-sition also reduces Kvaerner's dependence on shipbuilding, another industry suffering

ter from NKr3.1bn (£310m) to just NKr359m. The company, moreover, endured volatile trading conditions in its other main husinesses - oil and gas equipment, machanical engineering and pulp and paper equipment

Kvaerner intends to combine its higher margin equipment manufacturing with Trafal-gar's broader construction and engineering skills to offer customers a comprehensive turn-

key service. The enlarged group, which should derive considerable benefits from increased purchasing power and the pooling of technical expertise, will be a stronger contender for large oil and gas contracts in areas such as the North Sea.

Mr Tonseth recognises that to be a credible bidder for such orders, the group will need a strong balance sheet. The same applies if it intends to invest in the growing number of privately financed infrastructure projects.

More immediately, the group

needs to reduce net debt - estimated by SBC Warburg to be NKr13.66bn, representing gear-ing of 106 per cent. If goodwill ls excluded, under British accounting rules, gearing rises to 180 per cent.

Kvaerner plans a £1bn disposal programme to offset the Kyaerner A share price (NKr Trafalgar House £904m bid for

costs of the acquisitlon and raise funds for investment. Of that total, more than £350m has been raised by disposals made by the previous Trafalgar management, including the Ritz Hotel and Ideal Homes, the UK househuilding

on 27/11/96

Although most analysis expect Cunard, Trafalgar's luxury cruise line, to he sold shortly. Mr Tonseth appears to have given it a two-year stay of execution - pending its return to profitability. He has vowed not to sell any business without making a profit on the

In the meantime, he has identified a portfolio of share-holdings which do no fit with the group's new strategy. These include a 26.1 per stake in Amec, expected to raise more than £50m, and 17 per cent of the Bergesen shipping group, worth an estimated

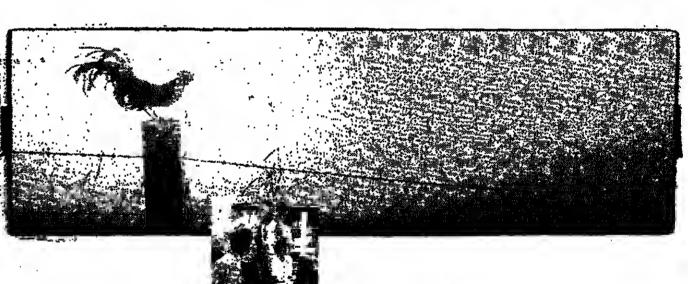
Mr Tonseth, who says the company is not under pressure to sell any one asset to makes its £Ihn target, plans to sell Trafalgar's commercial property portfolio of mainly office: inside London's M25 orbital

motorway. His ambition is clear. Kvaerner, following the Trafalgar acquisition, claims to be one of the world's five largest largest construction and engineering groups in terms of overseas

Having achieved the scale necessary to catapult Kyaerner on to the international stage, Mr Tonseth needs to prove he can extract a better performance from Trafalgar, a company which last year reported

operating losses of £106.4m. He admits it will be a tough task, "There have been a lot of problems here in the past, but we are moving in a very different direction. . . there is nothing that cannot be handled,"

Due Diligence



Successful investment banking requires an organisation committed to providing a consistent and professional standard of banking service. As a major Nordic banking group, Den Danske Bank has considerable placing power and holds a leading position in the Nordic equity and fixed-income capital

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INTERNATIONAL PEOPLE

Sihler dials up a new top job



Ron Sommer, the man determined to turn Deutsche Telekom into the world's leading eral postal service. telecoms operator, may be relieved to see the back of Rolf-Dieter Leister. who last week said

he would no longer head the company's supervisory board. Leister, 55. understood quite a bit about telecoms and liked to have his say. But it is by no means clear that

Helmut Sihler (pictured), who is due

to become Leister's successor, is going to be a push-over. Sihler probably understands more about washing powders and glues than about telecoms, given that he ran Henkel, the leading German

But the 66-year-old Sihler's corporate credentials go well beyond that. He was first person outside the Henkel family to run the company. He also impressed when he took over the supervisory board at Porsche, another first for anyone outside the Porsche

chemicals group, for 12 years until

When he was at Henkel the company went public - an especially use-ful experience given Deutsche Telekom's share offering later this year. Sihler also knows a thing or two about unwieldy former state-run bureaucracies; he headed the supervisory board of Deutsche Post, the fed-

BHP's man of steel

Michael Lindemann

BHP, the Australian resources group, has drafted in Ian McMaster, currently its head of operations in China, to help conduct a 12-month strategic review of its steel division. The review, announced in the wake of the Sumitomo copper affair - BHP is the world's second largest copper producer - could hardly have come at a more delicate time for Australia's bigst company.

McMaster has headed BHP's interests in China (steel and otherwise) for the past year. His new challenge, according to Ron McNeilly, head of BHP Steel, will be to bring together the various divisional assessments

already under way.

One of the objectives will to address the steel unit's current "serious deterioration in profitability". More funda-

mentally, the review will look at corporate options over the next two decade. As one BHP insider puts it: The technical choices are pretty diverse at present".

McMaster, who is in his late 40s. will have plenty of steel sector experience to contribute. He joined BHP 30 years ago, and was group general manager of the wire products unit, the sheet and coil division, and headed the Newcastle rolling mills before departing for Chiha. Nikki Tait



penter is to succeed Thomas Oursin at the head of the KU's Luxembourg-based financing body, from July 1.

Carpenter (pictured), who was educated in England, France and the US. started his financial career with Citibank and Banque Indo-Suez before coming to rest at the EIB in 1975. He moved steadily up the organisation,

most recently becoming director of credit and monitoring in the EU, with responsibility for a loan book of Ecusson (\$117 bn). Oursin, who is rethring after 22 years with the EIB. has been secretary-general since 1994. Nim Castoell

Tough times at Sidek

Luis Rebollar, who next month takes over as chief executive of Sidek, Mexico's troubled steel and tourism conglomerate, has a real challenge on his hands.

His stint at the company will be very different from his previous experience as an executive at Ericsson and as head of Crisoba, Scott Paper's Mex-ican subsidiary. For Sidek is not the Mexican outlet of a respected international corporation. Rather, it is a company that grew too far. Its balance sheet could certainly

look better. Last year, Sidek recorded a net loss of 1.88bn pesos (\$250m) on sales of 3.88bn pesos, and was bat-tered by interest charges from \$2.1bn of debt

The company wants to cut corporate costs by 50 per cent, and has appointed a new board of directors, as well as Rehollar himself. Rebollar is seen as an ally of the Mexican banks which are Sidek's main creditors; he is thought to be close to Roberto Hernández, the head of Banamex,

Mexico's largest bank. But the job of continuing the company's rationalisation will not be easy so long as Sidek's owners in the Martinez Guitron family resist the sale of any assets from their steel company the profitable jewel in Sidek's crown. Daniel Dombeu

New boss for OMLX

Peter Cox, 48, has been appointed chief executive of OMLX, the Londonbased securities and derivatives exchange which is part of OM Group

Cox spent 17 years with the London Stock Exchange - where he was responsible for the creation of the SEAQ International market, the SEQUAL on-line trade confirmation service and the design of the Talisman settlement system - before joining OMLX in 1993. At OMLX he takes over from Lynton Jones, who has joined the International Petroleum Exchange.

Separately, Per Larsson, the OM group's chief executive, is to take over as chairman from Olof Stenhammar, the group's founder. Stenhammar will become honorary chairman. Richard Lapper

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FINANCIAL TIMES

ON THE MOVE

1992.

Richard Currie, 59, who with Galen Weston, 55, has led the 20-year resurgence of the LOBLAW supermarket chain in Canada, is taking the helm at George Weston, the Weston family's principal Canadian holding company. He remains president of Loblaw and Galen Weston remains chairman of both companies. Loblaw is Canada's biggest food distributor.

■ Philippe Weil has joined J. HENRY SCHRODER & Co as a director and as head of investment banking for France. He was previously general manager of Clinvest, the wholly-owned corporate finance arm of Credit

Lyonnais. Harry Klagsbrun, 41, deputy managing director and head of corporate finance, rises to chief executive of ALFRED BERG HOLDING, the Swedish investment bank owned by ABN Amro, from July 1. He succeeds Carl-Diedric Hamilton who has become chairman of ABN Amro's global equity directorate.

James McKee, 64, executive vice-president of Trinova and president of VICKERS Inc. since January 1987, retires on July 31, after 34 years' service. Ronald Oberlander has

relinquished his title as president of ABITIBI-PRICE, to become chairman. He continues as chief executive of the Canadian paper group, a post he has occupied since

■ Pierre Mirat joins MORGAN STANLEY's Paris office on July 8, as an executive director in the fixed income department. He will also join the Morgan Stanley operating committee. He joins from J P Morean's Paris office, where he was head of fixed income institutional sales for France. Robert Werner, 51, vice-president of Timex Corporation, becomes a non-executive director of

DAILYWIN, the watch company in which Timex has a 4.99 percent share. ■ Pierre Salinger becomes non-executive chairman of International Tire Recycling and Manufacturing Corp. (INTIRMAC), a tyre recycling firm based in Vancouver,

■ Hubert Joly, 37, joins EDS as president of EDS France and a member of the European board. Joly, previously principal of McKinsey in France, will take over from Alain Richard, who will head the Rank Xerox account from

■ Robert Allardice has been appointed executive

vice-president and chief operating officer at DEUTSCHE BANK North

America. Richard Wong becomes finance director for FORTUNE Oil., a London-listed company with oil-related operations and investments in China Kevin Foo, chief executive of BAKYRCHIK GOLD, the London-listed Kazakh gold mining venture, is retiring on August 1; Gordon Toll will assume temporary executive management of the company. Louisa Roussean and Andrew Tsui, two of the three managing directors of the Hong Kong head-hunting firm RUSSELL REYNOLDS, have left the company. ■ Teresa Pahl and Noel Dunn

have been appointed to the international board of AON HOLDINGS, the retail insurance brokerage and risk management consulting divsion of Aon Group in Europe, Middle East, Far East and Australia. ■ Youi Cohen, previously general manager of UK satellite television channel Bravo, has been appointed to

the new position of vice-president, television and broadcasting, for POLYGRAM FILMED ENTERTAINMENT.

Ray Hawkins has joined CHARTERED SEMICONDUCTOR

MANUFACTURING as senior vice-president, worldwide sales and marketing. He was most recently general manager of the Americas division of National Semiconductor. Rick Hodgman, formerly a vice president at Silicon

Systems, becomes vice-president of operations for Fab 2. Gordon Lindert joins from Motorola as vice-president of facilities.

■ Michael Burns, 40, currently executive vice-president and core group director overseeing SAATCHI & SAATCHI New York's General Mills account, has been appointed vice chairmar

How Jenkins has been appointed managing director and global head of Asian equities at SBC WARBURG. Robert Brown, chairman and senior partner of Price Waterhouse, has become chairman of the CANADIAN INSTITUTE OF CHARTERED

ACCOUNTANTS. Laurent Joffrin, editor-in-chief at Nouvel Observateur, has been appointed editorial director of LIBERATION.

■ David Barry, 52, chairman and chief executive of Triangle Pharmaceuticals, a company he formed in 1995, has been appointed to the board of MOLECULAR BIOSYSTEMS. M Shigeld Matsue has been

appointed president and chief executive of NEC ELECTRONICS INC, the fourth-largest seller of semiconductors in the US. He takes over from Kunishiro Saito, who was promoted to vice-president of worldwide semiconductor operations for NEC in Tokyo.

Edward Murchie, 49, has

been appointed chairman of the management advisory committee of INTERNATIONAL '

ABSORBENTS, a manufacturer of absorbent products made from waste wood pulp. He is currently president of Caledonia Capital, a Virginia-based, private investment company.

Constantine Hampers has stepped down as chairman, president and chief executive of WR GRACE'S National

Medical Care (NMC) unit, He has also resigned as a director and executive vice-president of Grace. NMC will merge with Fresenius AG's worldwide dialysis products business unit. to be named Fresenius Medical Care. Hampers, who founded NMC in 1968, will become an adviser to Gerd Krick, chief executive of Fresenius. Sandy Ryan has joined COASTAL CORPORATION as manager of investor relations. She previously worked for

Howell Corporation and prior

to that Walker Energy. ■ Valerie Salembier, 51, former president of The New York Post magazine, has become publisher of Esquire, owned by HEARST MAGAZINES in the US. Salembier, who is currently president of Quest magazine, will start at Hearst in mid-July. She succeeds Lawrence Burstein, who joined Require as its publisher almost two years ago. Evan Greenberg and and Edmund Tse, both executive vice presidents with AMERICAN INTERNATIONAL GROUP, the insurance group, bave joined the board. ■ Gregory Muldoon, a senior vice president with BROWNING-FERRIS INDUSTRIES, has been

International appointments

appointed executive vice

president and chief operating

officer of the Houston-based

Please hix amountoments of new appointments and redrements to 44 171 878 8886; marked for International People.



automotive freight business.

RfD, together with SNCF, began operations through the Channel Tunnel in June 1994. The business now involves some 150 trains each week carrying containers, swap body traffic and cars through the Tunnel to or from France, and beyond, serving Belgium, Luxembourg, Germany, Spain and Italy.

In the UK RfD operates purpose built intermodal terminals at Willesden, Manchester, Glasgow and Wakefield. It also serves another operator's terminal in Birmingham.

in the year ended 31 March 1996 RfD had turnover of approximately £70 million. It employs around 1,500

This is an opportunity to purchase a business with considerable scope in long-distance freight.

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Brussels, 25 June 1996

Fortis AG

Results of the capital increase by means of an exchange of 1995 dividend rights for shares ("Stock dividend")

744.237 shares were subscribed during the subscription period, which ran from 6 to 18 June 1996.

81.2 % of the securities offered were issued at the end of this operation. The no. 8 coupons not used for the subscription of new shares will be used in cash as from 27 fune 1996, in an amount of BEF 84 net per ordinary share and BEF 95.20 net per share when accompanied by no. 8 "\"PR strip"

Adaptation of the conditions governing the exercise of Fortis AG warrants

Rollowing the capital increase through the exchange of 1995 dividend rights for shares, the exercise price of the warrants has been adapted in accordance with the anti-dilution clause.

Henceforward, the exercise price of these warrants will be BEF 2.464 as from 1 July 1996.

These warrants may be exercised between the 1st and 20th day of each mouth, smill 20 December 2010.

Boulevard E. Jacquain 53 1000 Bra

MONDON

Maurice LIPPENS

THE FIRST MEXICO INCOME FUND N.V. Incorporated in the Netherlands Antilles

NOTICE OF DIVIDEND

rs are informed of a dividend of US\$0.40 per stare of Common Stock to holders of record as of June 28, 1996. The ex-dividend date was June 25, 1996, shareholders have the option of ecciving cash or stock dividends. Please connect your broker for aformation. The stock dividend will be determined based on the net asse ratue calculated on July 3, 1996. The dividend will be paid on July 15, 1996. Payment of the dividend on the bearer shares will be made against surrender of coupon No. 24

detached from the share certificates which for this purpose shall be MEESPIERSON N.V. Rokin 55 1012 KK Amsterdam

which acts as Paying Agent on behalf of the undersigned.

MEESPIERSON TRUST (CARAÇÃO) N.V.

Quebec Central Railway Company Capital Stock

above stock, the transfer books will be

will be re-organized on July 1 1996. D.R. Keast 63-65 Trafalgar Square, London WC2N SDY

Société d'Investissement à Capital Variable 2, boulevard Royal, Luxembourg R.C. Luxembourg B-7443

GT INVESTMENT FUND

DIVIDEND ANNOUNCEMENT

Shareholders are informed that GT INVESTMENT FUND will pay a dividend of US\$ 0.32 per share on July 8, 1996 to registered Shareholders on record on June 25, 1996. Shares are traded ex-dividend as from June 26, 1996 The dividend is payable to holders of bearer shares against presentation of coupon no 9 to the following paying agents: Bayerische Vereinsbank A.G., Kardinal-Faulhaber-Strasse 1, 8000 München 3 Crédit Industriel et Commercial, 66, rue de la Victorio, F-75009 Paris Banque internationale à Luxembourg, 69, route d'Esch. L-1470 Luxembourg.

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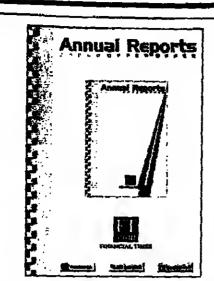
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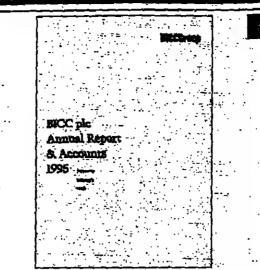
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AEGON INSURANCE GROUP 1995: AEGON's best year ever

AEGON Insurance Group is one of the world's leading asternational insurance groups, with susets totalling spore than NLG 150 billion (GBP 60.5 billion). Net income in 1995 increased to ever NLG 1.3 billion (GBP 3.2 billion). Shareholders' equity amounted to NLG 8.2 billion (GBP 3.3 billion). AEGON's core beginns in life insurance and related PAC internation of the distribution networks, ABGON's most important markets are trengthen the position of its distribution networks, ABGON's most important markets are The Netherlands, USA and Europe.



BICC GROUP



BRITISH-BORNEO PETROLEUM SYNDICATE, P.L.C. British-Bomeo is a UK based oil and gas exploration company with a risk diversified portfolio of producing interests and exploration acreage. The Company's aim is to craft competitive advantage in areas of operation through careful strategic planning and the systematic recruitment and motivation of top quality people. Ernish-Bonneo's operations include interests in some of the most exciting exploration provinces in the world today, ranging from the West of Shetland region of the North Sea to the deepwater U.S. Gulf of Mexico.



The Group's principal business is in general, life, health insurance and investment and the main markets are UK & Iteland, Continental Europe, North America, Asia



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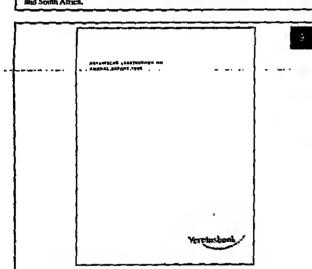
and DAP, a market leader in the production of adhesives and scalants for DIY in Europe, and the market leader to South Africa. Ander is the leading producer of luggage and navel goods in the UK.



BANCO TOTTA & ACORES

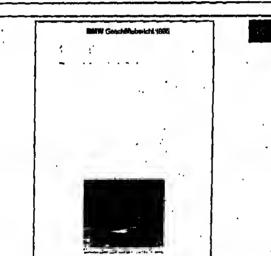
In 1995 BTA's Net Assets and Deposits expanded 12.3% and 11.7%, respectively, in terms of Caedia, is should be stressed that Loans and Advances grow 7.3%; mestion should also be made to the significant drop in overdue loans while the coverage ratio of overdue loans.

During the year BTA shates continued to show very high liquidity with a frequency rate of 100% and trading volume of PTE 31,1 billion, On February 29, 1995 market volume was PTE 176.2 billion.



BAYERISCHE VEREINSBANK

With total assets of DM357 by Vereinsbank is one of the live largest private banks in Genustry and the biggest mortgage basions group. In a difficult operating environment Vereinsbank succeeded in increasing 114 operating profit by 29,4% to DM1,382mi. The driving factors behind this result were a lively mortgage banking business, a satisfying own account trading result, lower risk provisions and a successful cost management (with a cost growth of 6% after 12% in 1994). Earnings per share rose from DM2.38 in 1994 to DM2.52 despite a strong growth of equity copital. This enables Vereinsbank to round up the dividend to DM1.50 per DM5-share.



BMW

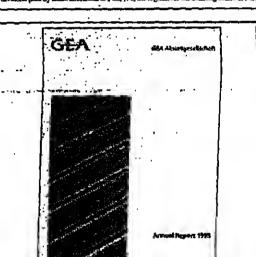
In 1995, the BMW Group continued to grow. For the first time, more than one pullion can were produced and sold. Sales of BMW and Rower Group vehicles incremed despite change evers in important models. The Company coped well with both the increme in the work force

BMW is currently in a phase of particularly high investment expenditure. This is rankely due to the requirements of Rover Group, the construction of the car plant in the United States and the



CONTINENTAL AKTIENGESELLSCHAFT

The Coninental Corporation ranks among the leading intermedical manufacturers of tires and industrial products made from rubber and plantics, and since 1994 has been developing complete automotive systems with growing access. For tires, it is in Generally, and in Europe, and 4th worldwide. A judicleus mailthand approach designed to explot specialized niche markets, stronger emphasis on innovative indexual products, and extensive internal restructuring measures combleted to general severating reads in 1995; Sales advanced by 3,8% to DM 10.3 billion and ust become sugged by 119.2% to DM 10.3 billion. The dividend in tremmed in 1996, (DM C 47) are DM 3,50 persons. iscurrated to 10% (DM 0.50 per DM 5 nominal share). Calebrating its 125th as 1996. Continental expests mother autoestful year.



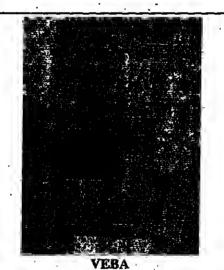
GEAAG

GBA AG in Bochum, Germany - Process Technology, Thermal and Energy Technology and Air Treatment and Refrigeration - boosted business volume by more than 20%. Sales climbed from DM 3,293 million to OM 4,053 million. Not income for the year improved 12% on the previous year, rising to DM 110.7 million. Cash flow increased by 15% from DM 211 million to DM 242 million. The Group made flow increased by 15th from 15th 211 minutes a second represented by 150 companies in 50 commiss around the globalisation. Today, OEA is represented by 150 companies in 50 commiss around the globa. Top priority in 1996 is being given to consolidating the high level archieved and to the continued integration of the groups of companies



MANNESMANN

SCHERING



ponse to market opportuni ppros. 125,000 employees /1994; DM 1.5 billion); e

13. Mannesmann

14. Schering

15. Veba

16. D. Viag



VIAG in 1995: A new Dimension

billion and profit for the year stood at DM 1.3 billion. This was also appreciated by the stool estchange: the price of VIAG states rose by more than 30 per cent, making VIAG one of the

1996 will see continued strategic development of the group. This will include targetee p-off in the core sectors of energy, chemistry, packaging and logistics and rapid to of selecommunications activities, in which VIAG cooperates with BT and RWE.

The	Fi	nancial Times Annual Report Servi	ce	is appearing on 25, 26, 27 & 28 Jun	e 1	1996
plant construction, and entomotive engineering. The Group's entry anto selectionsumminisations was accomplished by a puneering feat: Management developed Germany's first private mobile radiophone network, O2. Management Mobilitark today figures analog the leading network operators according in the GSM standard established both to Europe and worldwide. In 1995, Managemen's sales rose 6 per cent to DM 32 billion, net profit more than doubled to DM 701 million, minuty on the strength of its selection business.		shaped by a vaccossion of osentanding sitest. Schring is a research-based pharmatonated company with more than 100 artistization and affiliated companies worldwists. Our key features today are learnesslocality, expensive and specialisation on three bestiness areas diagnostics, generology and therapeutics. Made filmstein distin. With a weekforce of 19.083. Schering Group sales in 1995 amounted to DM 4.457 m, 85% of which were made outside Centramy. Schering spent DM \$45 m on research and development, which is 18% of Group sales revenue. At DM 248m, Group profit was 13% lower than in 1994. Examings per DM 5 share amounted to DM 4.30 (1994; DM 4.60).	1 1	VEIA. Gentury 3 40 largest company, is active in the fields of Electricity, Chousicals, Oil. Totaling/Transportation/Services and felectromentations. Our descentation transportent structure is designed to allow for fast and flexible response to market opportunities as they arise, and our 1995 results underscore this approach: approx. 125,000 employees worldwide achieved stored DVFA/ES maximgs of Did 2.1 billion #1994; Did 1.5 billion; carmings per show over from DM 3.13 to DM 4.33, and the dividend was increased from DM 1.50 to DM 1.70. Our strategic goal remains unincipating change early on and scively shaping it in order to develop new potential for VEBA as well as create further value for our	0 1	elition and preschauge: the companies the companies for 1996 will second of companies of the companies of th
Windshifted series and as a series of the se	,	should be a convenient of constitution that Schools in a magnetic least observations		VERA. Gentury's 4th largest company, is active in the fields of Electricity. Chemicals, Oil.	•	

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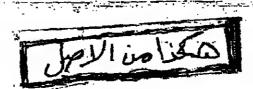
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COMMODITIES AND AGRICULTURE

'No drop' seen in US gold production hedging

There has been no drop in total hedging by north American gold producers in spite of some liquidation of forward sales by two of the biggest: Barrick Gold, Placer Dome, according to Mr Ted Reeve, analyst at Scotie Capital Markets, who has been tracking hedging trends for more than 6 years.

While Barrick and Placer were giving maximum publicity to their partial withdrawal from hedging, two other North American companies, Amax Gold and Santa Fe Gold, were quietly increasing their activi-ties, he pointed out at yesterdays Financial Times World Gold Conference.

He said total hedging levels in North America would probably rise a little over time and there would also be a gradual shift to more flexible arrangemeots in which prodocers could hedge a portion of their production out over the longer

Mr Reeve said the North American gold industry at present had hedged 43 per cent of expected output at an average of US\$410 troy ounce for verted to this activity."

1996 and was 33 per cent Mr Mark Keatley. hedged at US\$422 for 1997. Compared with this the Australian industry could look for-

ward to receiving an average of US\$510 an ounce for its hedged production this year. At present production levels Australian gold producers had on average 28 months or 630 tonnes of output hedged. This compared with 300 tonnes or 15

months in 1991 and 1992. Australian hedging was on the rise in spite of a oumber of smaller companies and Placer Pacific liquidating part or all of their forward sales positions recently.

At the other end of the hedging spectrum from the Australians, South Africa had hedged less than 200 tonnes or 6 months output before two big programmes at the end of last year doubled those totals. Mr Reeve said that it would

be foolish to believe that the two contracts, by Beatrix and Western Deep Levels, would be Isolated eveots. "We expect South African hedging to rise," he said. "We think even those producers currently not hedg-

Mr Mark Keatley, chief financial officer Ashanti Goldfields, pointed out that income from hedging beloed gold companies generate the huge cash flows that were their main source of income: US\$2.9bn last

He insisted hedging, if done professionally by skilled people, "can be done with minimal disturbance to the gold mar-

Mr Keatley said the industry spent about \$50n last year -\$2bn to mine gold, \$500m on exploration and \$2.5bn "buying each other". There 60 gold company acquisitions in the past two years. The industry last year raised about \$1bn from hedging and a similar amount from borrowing. He auggested gold companies should diversify the range of financial measures they used to include more syndicated loans and bonds, including

convertible bonds. Gold equity markets were not very liquid, Mr Keatley pointed out, the entire industry (excluding junior explorers) had a market capitalisation of

Coca Cola's \$117bn. Mr Andy Smith, precious metals analyst, Union Bank of very metal that was its life Switzerland, said the central banks that provided liquidity

for gold hedging by their lending could be expected to provide more gold in future. He dismissed fears that there would be a liquidity shortage in future and said there was no need for the market to turn to private gold holders for liquid-The case against hedging shareholders."

was put by Mr Geoffrey Campbell, senior fund manager, Mercury Asset Management. Ha pointed out that "gold shares are not for widows and orphans. They are suitable for rich people who can afford to get a little poorer but not for poor people who want to get rich. I believe these investors not only have a high risk tolerance, they actually seek gold

price risk". Mr Campbell said there was a direct conflict of interest between this type of shareholder and lenders to gold companies who wanted to minim-ise their risk by encouraging companies to hedge.

confidence in the future of the

Hedging also suggested to shareholders that a projects economics were fragile. And it encouraged companies to keep on mining gold when would be better to be left in the ground. "Extracting gold when it has a negative net present value is pure wealth destruction to

· A call for the European Monetary Institute to make oublic its intentions about the role of gold as 6 reserve asset: for the European Central Bank (ECB), came at the conference from Mr Robert Guy, a director of N.M. Rothschild. "Political" independence does not obviate the need for accountability,"

Mr Robert Rubin, executive vice-president, AIG Trading Group insisted "the birth of the ECB and what it all means for gold will have everyone rattled for the next few years. The higgest anxiety was that European Central Banks would rush to reduce their gold hold-The company that sold its ings and to raise cash from

gold forward sent a message to them before the ECB began shareholders that it lacked operations.

Mr James Cross, a director of Crosswords Research and Consulfing said if some gold was transferred to the ECB it would give the bank added credibility. It would also signal that gold still had a role in the worki'a monetary system.

Mr Alan Baker, executive director, Denitche Bank Sharps Pixley, pointed out that the gold market had shown the capacity to absorb large additional quantities of the metal without disruption to the price and demand for physical gold was likely to continue at a high level. This suggested gold would continue to trade between US\$895 and \$415 an

In spite of recent negative news from the South African gold industry, the biggest in the world, it was by no means close to death or collapse, insisted Mr Tom Main, chief executive of the South African Chamber of Mines. If cost and revenua constraints improved there was every possibility that the gold mining industry would enjoy a renaissance in

Indian government grants relief to sugar industry

By Kunsi Bose in Calcutta

The Indian federal government has come forward with a major relief measure for the country's cash-strapped sugar facto-

ries.
The factories, which of late have been unable to pay money owed to cane suppliers, have been told that between now and the end of the sugar season on September 30 they will be relieved of the statutory obligation to surrender 40 per cent of their production to the state at less than the production cost for distribution through "fair price shops". So the industry's entire produc-tion can now be sold in the open market, subject to the

monthly release quota.

According to a senior industry official, the concession will help the sugar factories in "clearing at least a good portinn of the cane does amounting to over Rashn

He said the factories were required by law to settle cane bills within 14 days; bnt because of the high levy obligation and poor price realisation caused by bumper production in two consecutive seasons, "the industry's capacity to pay

The last thing that the industry wanted, the official said, was unpaid came bills as the farmers would then grow other crops, But the industry, which would be making a loss of R94bn in the current season.

ogi, president of the Indian Sugar Mills Association, said that quite a few sugar factories were becoming sick and they would be on the block.

As there is still cane in the field a large number of facto-ries are still working. But crushing in India beyond the middle of April is uneconomic . because there is a steep decline in the recovery of sucrose from the cane. ISMA spokesman Mr Om Dhanuka said tha country's sugar production would be a record at over 16m tonnes, compared with an earlier estimate of 15.8m tonnes.

Mr Deve Gowda, prime minister, agreed with the ISMA and the National Federation of Co-operative Sugar Factories that the industry should get a further export quota of Im tonnes. It has almost used up the existing export quota of 1m tonnes, which was sanctioned in instalments. The industry was confident that if the sanction came through quickly, then the Indian Sugar & General Industry Exim Corporation should be able to ship out the major part of the extra export quota by the end of September, said Mr Dhanuka. The government also promised to allow the transfer of an additional 1m tonnes to the sugar buffer stock, which was

created on January 10, 1996 with 500,000 tonnes. As the government pays for the interest, storage and insurance costs of the buffer administration, raising of the buffer size by Im tonnes would give the industry considerable relief.

Windwards buys bananas

A deterioration in the quality of its bananas has forced the Windward Islands, Britain's

main supplier, to bny fruit

from Latin American produc-

ers to meet sales commitments.

JOTTER PAD

has not been disclosed, but the Windward Islands Banana Development and Exporting Company says only 60 per cent of the region's bananas are getting the premium price paid by UK supermarket chains.

Plant resources plan agreed to 'enhance world food security'

GRAINS AND OIL SEEDS

Set Dey's Sign Loss Vol. 113.25 ~2.00 114.00 112.50 19 113.25 ~2.00 114.00 112.00 30 113.10 ~3.0 113.10 ~3.0 113.0

WHEAT CET (5,000by mir; center(50t) bushel)

| Mai | Mai

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25.44 -0.31 25.46 25.12 6.22 19.207 25.59 -0.37 25.70 25.37 13.00 16.575 25.62 -0.37 25.00 25.57 2.284 1.504 25.96 -0.38 25.07 25.75 400 6.500 25.25 -0.38 25.47 25.00 6.107 27.57 25.36 -0.39 25.52 25.25 25.5 2.772 19.451 26.408

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E SOYABEAN MEAL CST (100 tons; \$/toni

WHEAT LCE (2 per tonne)

BARLEY LCE (E per torme)

The first Global Plan of Action to conserve and improve the use of plant genetic resources for food and agriculture was finally adopted in the early hours of Sunday morning by

150 governments in Leipzig. Agreement came after "a very hard week of negotiations", according to Mr Cary Fowler, secretary of the International Technical Conference on Plant Genetic Resources. The outcoma was in donbt until the final hours as wrangling over funding and farmers

rights held up agreement. The plan is designed to enhance world food security by preventing genetic erosion encouraging diversity. This means "combining the best of traditional knowledge and modern technology" and

COMMODITIES PRICES

LONDON METAL EXCHANGE

1250-60

6165-75

995.5-96.0

7660-70 7720-30 7730/7650 7685-86 7670-75

6210-30 6185-90 6245-6195

1796-97

ENERGY

(Prices from Amelgameted Metal Trading)

BASE METALS

Previous High/low AM Official

Kerb close Open Int. Total delly turnover

■ LEAD (\$ per torne)

Open Inc. Total daily tumover

Previous High/low AM Official Kerb close Open int. Total daily tumover

TIN (5 per tonne)

Open int. Total daily turnover

M ZINC, special high grade (5 per

COPPER, grade A (5 per torne)

LIME AM Official E/3 rate: 1.5390 LIME Closing E/6 rate: 1.5395

PRECIOUS METALS

383.70 384.20 384.70-385.10

241 FD-384.00

eso Gold Lending Rates (1/9 USS)

348.00

\$ price 383-386 394.95-397.40

Gold Coin

538.75

\$ equiv. 249-251

MICKEL (S per torme)

M ALUMINIUM ALLOY (\$ per tons

ing of both genetic resources and technologies" according to the "Leipzig Declaratioo" which was organised by the UN Food and Agriculture Organisation and hosted by the Federal German Government.

The plan contains 20 priority activities including a much greater commitment than in the past to on-farm conservation and development of plant varieties as well as in situ oonservation of wild plants important for foods. It also calls for a new partnership between farmers, genebanks and scientists to secure the holdings in the genebanks and to make them of greater practical use. A new initiative to make

locally-adapted varieties avail-

able to farmers from gene-

banks after disaster, war or

Precious Metals continued

384.7 - 384.0 383.7 11 82 385.3 -0.1 385.1 385.5 27,798 86,051 389.5 -0.1 389.3 388.5 470 7,693 392.2 -0.1 392.8 389.9 3,293 37,842 394.9 -0.1 384.1 384.1 33 8,405

394.9 +0.1 395.5 393.5 3,770 7,828 397.0 +0.2 397.5 395.0 2,613 15,632 400.0 +0.2 398.0 398.0 39 1,562 403.0 +0.2 401.5 401.5 106 2,102 406.3 +0.2 401.5 401.5 108 2,102

PLATINUM NYMEX (50 Troy 02: \$/broy 02.)

M PALLADRIM NYMEX (100 Troy oz.; \$/troy oz.)

131.40 +0.65 128.50 129.50 131.90 +0.65 131.95 130.00 132.80 +0.65 132.29 132.25 134.35 +0.55

CRUDE OIL NYMEX (1,000 berrels, \$/berrel)

20.10 19.75 29,965 88,129

20.10 19.76 20.950 88.123 18.46 19.20 8.609 41.100 18.59 18.62 3.319 24.609 18.70 18.57 920 22.251 16.50 18.34 1,776 32.730 10.26 18.30 322 21.164 57,800 354,842

51.55 +0 19 51.70 50.80 8,879 15,450 52.00 +0.24 52.15 51.25 52.21 20,053 52.00 +0.24 52.16 51.00 1,447 9,534 53.05 52.00 302 6,754 53.05 +0.24 53.05 52.00 302 6,754 54.00 +0.09 54.20 85.20 371 10,175 54.00 +0.09 54.20 85.20 971 10,175 54.00 +0.09 54.20 85.20 971 10,175 54.00 +0.09 54.20 85.20 971 10,175 54.00 +0.09 54.20 85.20 971 10,175 54.00 54.20 85.20 871 10,175 54.00 54.20 85.20 871 10,175 54.00 54.20 85.20 871 10,175 54.20 85.20 85.20 871 10,175 54.20 85.20 85.20 871 10,175 54.20 85.20 85.20 871 10,175 54.20 85.20 85.20 871 10,175 54.20 85.20 85.20 85.20 871 10,175 54.20 85.20 85.20 85.20 85.20 871 10,175 85.20 85.2

2647 40,007 2660 2625 28,000 17,335 2,690 -0.011 2.725 2,665 10,496 38,365 2.712 -0.009 2.730 2,690 3,561 20,316 2.715 -0.004 2.730 2.705 3,852 17,118 2.729 -0.005 2.745 2.720 1,988 12,210

W LINLEADED GASOLINE NYMEX (42,000 US gails, c/US gails)

54.75 - 54.75 54.75 53.20 +0.83 53.40 53.30

33,300 108,728

1,233 6,774

93 8,406 34,088 193,602

6,524 27,385

GOLD COMEX (100 Tray oz.; \$/tray oz.)

ensuring "access to and shar- civil conflicts should save lives and aid money, believes Mr Fowler. The GPA also recommends a major programme to rescue current genebank collections that are in danger of losing up to half their materials. This would transform the current diverse, poorly co-ordi-nated, often inefficient and frequently redundant efforts into a rational, effective and sustainable system. An essential

> the various genebanks. Much of the world's rural population depends for its food seed. The GPA aims to strengthen local capacity to produce, distribute and market farm-saved seed of crop varietential for local food security. Many species used for food are neglected in formal

part of this involves improving

information about what is in

plant breeding, especially argue for more funding for is needed, says Dr Hawtin. those used by farmers in marginal areas About 14hn of the world's poorest people - 100m in Latin America, 300m in Africa and Ihn in Asia - live in areas

where locally adapted crops are of the greatest importance. "In more marginal areas there is definitely a market failure" in plant breeding says Dr Geoff Hawtin, director general of the international Plant Genetic-Resources Institute in Rome. consciousness of the issues.

within countries as ministries

tion and sees it as a major step towards increasing the public "There is now a Glohal Agreement on what needs to be done. Next we need a global agreement on how to do it and how to fund it," he says. He expects the first effects to be their meaning and suggests

E COFFE

plant genetic resource conser. Although the major division vation and use. The log-jam over who controls plant over who will provide what geoatic resources is still plant genetic resource conserover who will provide what new funding is unlikely to be broken until a revised international Undertaking on Plant Genetic Resources is agreed. This is due to be discussed in December and should provide a legal framework governing access to plant genetic materials. The OECD countries are reluctant to agree funding until it is clear who will have access to plant germplasm, under what terms, and precisely what it is they are committed to. Developing countries have said that there is little point in making plans unless more funding is available. A more open debate about farmers' rights that clarifies

is much more complex than a north-south confrontation", said Dr Hawtin, There were differences between Europe and the US and between different developing countries. These related to how generich they were in both plant varieties and breeding histories as well as in how far they have commercial or small farmer agriculture, he said. Copies of the Plan of Action are available from the Secretariat for the International Conference on Plant Genetic Resources. FAO. Viale delle Terme di Caracalla, 00100 Rome, Italy. Fax: how they may be implemented +39 6 522 55533

largely a north-south split, the conference had shown that

"what wa are beginning to see

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Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME, CSCE and IPE Crude Oil are one

Jun 24 Jun 21 month ago year ago 2003.9 2019.6 mg 2288.3

INDICES

RELITERS (Base: 18/9/31=100)

CRB Putures (Base: 1967=100)

■ GSCI Spot (Base 1870-100)

There was less demand this week reports the Tea Broker's Association, a few selected brighter East Africars were firm to dearw but the majority feat 2-8p/kg.. Mediums also carreto an easier marker losing 3-5p/kg, where acid. Offshore fairly good competition but at generally easier miles. Questifiens: best avail-able: 130p/kg, good: 120p/kg, good medium: 112p/kg, medium: 105p/kg, low medium: 82p/kg, norn the highest price realised this week was 130p/kg for a Kanya pf. 1.

,181			
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88	Brent Bland (dated)	\$18,98-8.40 -0,090	
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55	W.T.L	S28.08-0.08x +0.125 prompt delivery CIF (corne)	
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78	Premium Gescene	\$201-203	_
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li			
• •	Jet fuel	\$157-189 -2.5	
19	Clean	\$164-165 -3	
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19	Clean	12,70-15.50 +0.10	
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19	Diesel M NATURAL BAS Peros Becton (Jul) Petolson Aspot, 7st. Londo E OTHER Gold (per troy only Siver (per troy only Pathum (per troy only Pathum (per troy only)	12,70-13,50 +0,10 12,771 359 4782 \$334,30 +0,65 912,50a +0,65 \$331,50 +0,35	
19	Diesel M NATURAL BAS Perol Becton (Jul) Petolson Agos, 7st London GOTHER Gold (ber troy only Siver (per troy only Patharin (per troy only Patharin (per troy only) Patharin (per troy only)	12,70-13,50 +0,10 12,777 359 8782 +0,50 5334-30 +0,55 612,50a +0,50 5391,50 +0,35 \$123,40 +0,15	
19	Doesd MATURAL SAS Peros Becton (Jul) Perosean Apple, 7st. London GOITHER Gold (ber troy out) Silver (per troy out) Patrium (per troy out) Patrium (per troy out) Concer Concer	12,70-13,50 +0.10 12,70-13,50 +0.10 10771 389 8782 \$12,50a +0.85 112,50a +0.50 \$391,50 +0.35 \$128,40 +0.75	
19	Diesel NATURAL BAS Perol Becton (Jul) Petolson Agos, 7st. Londo OTHER Gold (per troy only Silver (per troy only Patham (per troy only Patham (per troy only Patham (per troy only Land (US) prod.)	12,70-13.50 +0.10 10777 359 8782 +0.85 012,50a +0.50 012,50a +0.50 0391.50 +0.35 \$129,40 +0.75 107.0c +0.75	
19	Diesel M NATURAL BAS Perol Becton (July Petotism Agos, 7st. London CTHER Gold (per troy only Sites (per troy only Patham (per troy only Patham (per troy only Patham (per troy only Patham (per troy only The Sites (US prod.) The Sites (Umpur)	12,70-13,50 +0,10 12,70-13,50 +0,10 1,07771 359 8782 +0,55 012,50a +0,50 03991,50 +0,35 \$123,40 +0,75 107,0c 45,00c 15,10c	
19	Diesel M NATURAL BAS Perol Becton (high Petolism Agos, Tel London CTHER Gold (her troy ord) Siver (per troy ord) Patinium (per troy ord) Patinium (per troy or) Patinium (per troy or) Patinium (per troy or) The foliale (Umpun) Tin foliale (Umpun) Tin (New York)	12,70-13,50 +0.10 12,70-13,50 +0.10 107711 389 8792 3394-30 +0.85 012,50a +0.50 8891,50 +0.35 3122,40 +0.75 107,0a 45,00c 15,187 290,50 +1.00	
19	Diosel MATURAL, SAS Peros Becton (Jul) Perosean Apple, 7st. London GOTHER Gold ber troy colf Silver (per troy colf) Pathum (per troy colf) Pathum (per troy oz.) Pathasin (per troy oz.) Pathasin (per troy oz.) The filest (Umpur) The filest (Umpur) The New York) Cettle (ive weight)	12,70-13,50 +0,10 12,70-13,50 +0,10 10771 359 8782 3394,30 +0,85 912,50a +0,50 \$391,50 +0,35 \$129,40 +0,75 107,0c 45,00c 15,1	
19	Closed M NATURAL SAS Peros Becton (Jul) Petroleum Aspot, Tel. Londo E OTHER Gold (ber troy oxid) Silver (per troy oxid) Pallardium (per troy oxid) Pallardium (per troy oxi) Pallardium (per troy oxi) Copper Lead (ILS pros.) Tin (New York) Cottle (tive weight) Sheep (five weight)	12,70-13,50 +0,10 1,07771 359 8782 +0.55 612,50a +0.55 3123,40 +0.75 107,0c 15,18* 290,50 +1.00 98,25p -1,18559 -8,15*	
19	Diesel MATURAL BAS Perol Becton (Jul) Retoleum Aspon, Tel Londor CTHER Gold (ber troy only Siter (per troy only Patharin (per troy only Patharin (per troy only The (Juste Lumpur) The (Juste Lumpur) The (Juste Lumpur) The (Juste (tre weight) Steep (five weight) Pigs (five weight)	12,70-13,50 +0,10 12,70-13,50 +0,10 1,0777 359 8782 +0,55 012,50a +0,50 \$391,50 +0,35 \$122,40 +0,75 107,0c 45,00c 15,10c +0,50 15,10c +0,50 15,10c +0,50 15,10c +0,50 15,10c +0,50 15,10c +0,50 15,10c +0,50 15,10c +0,50 11,400 +0,62	
19	Doesd MATURAL SAS Peros Becton (Jul) Perosean Apple, Tel. London GOTHER Gold ber troy only Silver (per troy only Pathum (per troy only The Music Lumpur) The Potent Lumpur) The Potent Lumpur) The Potent Conte (two weight) Sheep (five weight) Lon. day sugar bank)	12,70-13,50 +0,10 12,70-13,50 +0,10 107711 389 8782 \$12,50a +0,55 \$122,40 +0,35 \$122,40 +0,75 107,0c 45,00c 15,18r 290,50 +1,00 96,25p -8,15r 113,65p -8,15r 114,40p +0,62° \$300,00 +7,30	
19	Deed MATURAL BAS Perol Becton (Jul) Rectors Asport 7st London MOTHER Gold (ber troy only Silver (per troy only Palladium (per troy only Palladium (per troy only The (Sus prod.) The (Sus Prod.) The (Sus Prod.) The (Sus Prod.) Sheep (five weight) Sheep (five weight) Lon, day susar (per) Lon, day susar (per)	12,70-13,50 +0,10 12,70-13,50 +0,10 10777 359 8782 +0,50 132,50a +0,50 3591,50 +0,35 \$129,40 +0,75- 107,0c 15,18r 290,50 +1,00 96,25p -3,37 113,65p -8,15 114,40p +0,62 \$300,00 -7,50 \$300,00 -7,50	
19	Doesd M NATURAL BAS Perod Becton (Jul) Retolken Agos, 7st. London GOTHER Gold (per troy only Sites (per troy only Palladium (per troy only Palladium (per troy only The found (US prod.) The perod (US prod.)	\$334.30 +0.85 012.50a +0.55 012.50a +0.50 \$391.50 +0.35 \$122.40 +0.75 107.0c 45.00c 15.18* 290.50 +1.00 98.25p -3.37* 113.56.50 -1.14.40p +0.82* \$300.00 +7.50 \$395.00 -3.00 Uuq	
19	Doesd MATURAL SAS Peros Becton (Jul) Perosum Apple, 7st. London COTHER Gold Der troy colf Silver (per troy colf) Pathum (per troy colf) Pathum (per troy colf) Pathum (per troy colf) Pathum (per troy colf) The foliate (Limpur) Sheep (five weight) Lon. day sugar (was) Berley (Eng. feed) Metze (LS NoS Yellow)	12,70-13,50 +0.10 12,70-13,50 +0.10 107711 389 8782 112,50a +0.55 112,50a +0.35 112,50a +0.35 112,40 +0.75 107,0c 45,00c 15,18r 290,50 +1.00 96,25p -8,37 113,65p -8,15 114,40p +0,62 \$300,00 +7,30 \$385,00 -3,00 Unq	
19	Diesel MATURAL SAS Peros Becton (Jul) Recolor Apple, Tel. London OTHER Gold foer troy cells Silver (per troy cells Pathum (per troy cells The fiduals (Jumpur) The New York) Cattle (the weight) Sheep (five weight) Figs (the weight) Lon. day sugar (weig) Barley (Eng. feed) Melce (US Nos Yellow) Wheat (US Dark North)	12,70-13,50 +0,10 1,07771 359 8782 +0.85 8782 +0.85 8782 +0.85 8782 +0.85 8782,40 +0.35 8722,40 +0.75 107.0c 15,18** 290,50 +1.00 96.25p -8.37** 113,65p -4.15** 114,40p +0.82** 290,00 +7.30 Usq Unq Unq	
19	Diesel MATURAL GAS Percel Becton (Juli] Percelum Apple, Tel. London GOTHER Gold foer troy copie Silver (per troy copie Silver (per troy copie Patrium (per troy copie Lond (US proct.) The (Number Lumpur) The New Yorki Cottle (the weight) Patrium (per, feed) Malce (US Nos Yellow) Whest (US Dark North) Rubber (Lumpur)	12,70-13,50 +0,10 12,70-13,50 +0,10 12,70-13,50 +0,55 112,50a +0,55 125,50a +0,55 107,0c +0,50 15,12c +0,50a +0,50 15,12c +0,50a	
19	Doesd MATURAL GAS Peros Becton (Jul) Perosean Apple, Tel. London GOTHER Gold ber troy only Silver fore troy cally Patrium (per troy cally The Music (Lumpur) The Music (IV) Lon. day sugar (pero) Musico (LS Nos Yellow) Whest (LS Dark North) Pubber (Jung) Pubber (Jung)	12,70-13,50 +0.10 12,70-13,50 +0.10 10777 359 8782 112,50a +0.50 112,50a +0.50 112,50a +0.35 112,50a +0.35 107,0c 45,00c 15,18r 290,50 +1.00 98,25p -8.15° 114,40p +0.82° \$300,00 +7.50 \$300,00 +7.50 \$30	
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19	Closed M NATURAL EAS Peros Becton (Jul) Petroleum Aspor, Tel. Londo CTHER Gold (per troy oxid Silver (per troy oxid Pasthern (per troy oxid Pasthern (per troy oxid Pasthern (per troy oxid Copper Lead (RIS prod.) Tin (New York) Tin (New York) Cettle (five weight) Sheep (five weight) Sheep (five weight) Lon. day sugar (see) Lon. day sugar (see) Malco (RIS Nos Yellow) Whest (RIS Dark North) Pubber (Augli) Rubber (Augli) Rubber (RIRSS No1) Coconur Oil (Print)	12,70-13,50 +0,10 12,70-13,50 +0,10 12,70-13,50 +0,50 12,50a +0,50 125,50a +0,50 125,162 127,0c +0,55 127,0c +0,55 127,0c +0,55 13,559 +1,00 14,50 +0,52 13,559 +1,55 114,40a +0,52 135,500 +7,30 14,50 +0,52 14,50 +0,52 14,50 +0,52 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 14,50 +0,50 +0,50 14,50 +0,50 +0,50 14,50 +0,50 +0,50 14,50 +0,50 +0,50 +0,50 +0,50 14,50 +0,50 +0,50 +0,50 +0,50 14,50 +0	
19	Doesd MATURAL GAS Peros Becton (Juli) Perosean Appa, 7st. London GOTHER Gold Der troy colf Silver (per troy colf Patrium (per troy colf Patriu	12,70-13,50 +0,10 1,07777 359 6782 +0,50 512,50 +0,55 5125,40 +0,55 5125,40 +0,55 107,0c 45,00c 15,10² +0,52² +0,50 +0,52² +0,50 +0,52² +0,50 +0,52² +0,50 +0,52² +0,50 +0,52² +0,50 +0,52² +0,50 +0,52² +0,50 +0,52² +0,50 +0,52² +0,50 +0,52² +0,50	
19	Diesel MATURAL SAS Peros Becton (Jul) Becton (Jul) Perosean Apple, Tel. London OTHER Gold Der troy colf Silver (per troy colf) Pathum (per troy colf) Pathum (per troy colf) Pathum (per troy colf) The fluste Lumpur) Siege (five weight) Cottle (five weight) Lon. day sugar (wei) Berley (Eng. feed) Matce (LS Nos Yellow) Whest (LIS Dark North) Rubber (Augl) Rubber (Augl) Rubber (Augl) Rubber (Augl) Rubber (M. RSS Nort) Cocorus OH (Prii) Flatt Of (Maley) Copys (Prii) Copys (Prii)	12,70-13.50 +0.10 1,07771 359 8782 +0.55 012.50a +0.55 3123.40 +0.35 3123.40 +0.35 3123.40 +0.35 15.18** 290.50 +1.00 98.25p -8.37** 113.65p +0.82** 290.50 +7.50 113.65p +0.82** 290.50 +7.50 113.65p +0.82** 290.50 +7.50 113.65p +0.82** 290.50 +7.50 388.00** -1.0** 390.00** -1.25 388.00** -1.0** 570.0%** -5.0 \$465.0** +15.0** 580.00** -1.0** 580.00*	
19	Coced M NATURAL EAS Percel Becton (Jul) Petotes Agos, Tel. Londo CTHER Gold (per troy colf Stiver (per troy colf Stiver (per troy colf Postman (per troy colf Postman (per troy colf Postman (per troy colf The fiduals (LIMPUR) Streep (fire weight) Streep (fire weight) Lon. day sugar (real) Berley (Eng. feed) Melce (US Nos Yellow) Whest (US Dork, North) Pubber (Augl') Rubber (Augl') Rubber (Augl') Rubber (Augl') Rubber (Augl') Rubber (Augl') Scomar Of (Maley 1) Coomar Of (Maley 1) Coomar Of (Maley 1) Coppa (Phi) Soyubears (US)	12,70-13,50 +0,10 10,771 369 8782	
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19	Coced M NATURAL EAS Percel Becton (Jul) Petotes Agos, Tel. Londo CTHER Gold (per troy colf Stiver (per troy colf Stiver (per troy colf Postman (per troy colf Postman (per troy colf Postman (per troy colf The fiduals (LIMPUR) Streep (fire weight) Streep (fire weight) Lon. day sugar (real) Berley (Eng. feed) Melce (US Nos Yellow) Whest (US Dork, North) Pubber (Augl') Rubber (Augl') Rubber (Augl') Rubber (Augl') Rubber (Augl') Rubber (Augl') Scomar Of (Maley 1) Coomar Of (Maley 1) Coomar Of (Maley 1) Coppa (Phi) Soyubears (US)	12,70-13,50 +0,10 1,0777 359 8782 +0,85 012,50a +0,85 012,50a +0,85 3128,40 +0,35 3128,40 +0,75 107,0c 15,18* 290,50 +1,00 96,25p -8,15* 114,40p +0,82* 390,00 +1,25 380,00* 1,25 380,00* -1,0* 380,00	

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6 Desert traveller many may

accepting achievement (8)

ting woman (6)

of time (7)

1 Controller baving stopped is 1 Waterproof garment for artist using plaster (8) 2 Giveo ooe million, split up (8) 9 Suggest one member left and said why (6)
13 Pen, the continental shape (5)
4 Looked for at a wide opening (7) (7) 5 Swiss water plant (7)

10 Having broken oar change where vessel stays (9)
Before parking vehicle set
down one picking up plane?
(9) 12 Bolt back gate post back (5)
13 Help famous fiddler holding

a Swallowing ice upset ooe's topless relatives! (6) 14 Bully crowd if not after work (9) 16 Harsh step by conservation 18 What model does, having dropped ring behind a recess 17 Overwhelmed by document

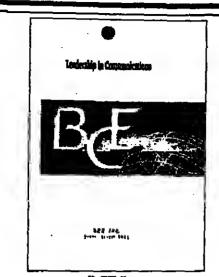
20 Late yet changing baby's 19 Like springs in the last ice clothes (7)
28 Free toilets on Bastbourne 20 Member's bill is running out 24 Heard you are being silly 21 Slot balf inch below toboggan about fruit (9)
26 Bank customer is to drop 22 Penny, perhaps, wanted man faulty key in (9) in uniform (6)
27 Unsuitable, it holds a writer 25 God is bearing up (5)

28 Some rehearse on an organ

Solution to Saturday's prize puzzle on Saturday July 6. : Solution to yesterday's prize puzzle on Monday July 8.

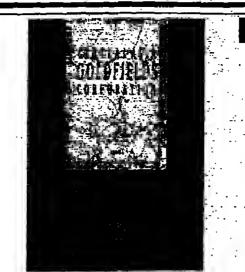
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Financial Times Annual Report Service



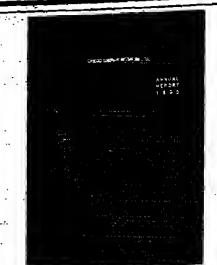
BCE Inc. BCE Inc. is Canada's largest teles associated companies, including Bell Canada, provide telecommunications services to some 70 per cent of the Canadian population. Subsidiary Nortel is a world leader in the provision of digital networks, while BCE Mobile provides cellular and paging services. Bell Canada International manages some \$2.1 billion in international investments. Tele-Direct companies provide directory services in Canada and overseas. BCE has the largest nur shareholders of any Canadian corporation.





CENTRAL ASIA GOLDFIELDS CORPORATION

have been acquired in Kazakstan. The Company has colored into 3 IV agreements with local private corporations, whereby CAGC may care a 50% to 70% interest in various gold properties. The lands covered exceed 11 million acres of highly prospective, exploration ground with a number of identified gold targets. A S7M exploration program, using up to 7 drill rigs, has been approved for this year.

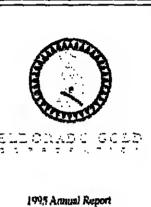


DRECO ENERGY SERVICES LTD.

Decco Energy Services Ltd., design, manufacture, and sell or rent machinery, equipment and do

gapte these frames the naturber of tective drilling rigs overforted his natived.

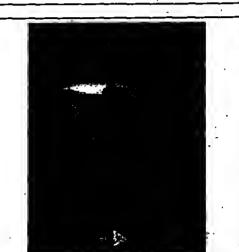
Thatling 12 mouth revenue has been U.S. SIZD midden, trailing 12 mouth hilly dilutest earnings per share have been U.S. 51,56 and the retain on average shareholders' county over the past 12 mouths has been 21%. Dreen stock trades on NASDAQ, symbol DREAF and the Toronso Stock Exchange, symbol DREA.



ELDORADO GOLD CORPORATION there gold musts, the La Colorada and La Trindad in practice and no loss stems times in strain. The Company also has a 1% surfituable indirect to Corems bilancy. No which operator the Bindali biline comples in Westers Austrains, in addition, the Company in actively exploring and developing three gold projects in Turkey and one gold project in Brazil. The Company is forecast to produce 165,000 ouncer of gold in 1996, on a pro levent hand, at an average cost of approximately USSA per owner, Gold production is expected to increase to over 250,000 ounces in 1998 at a cash cost of USSA31. The Company's gold resources are currently 4.7 million concess of which 2.8 million ouncers are classified as proving and probable reserves.



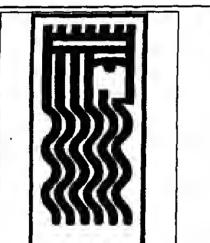
MINING FOR THE FUTURE



GRUPO CYDSA



AMERICAN STANDARD COMPANIES INC.



CAMELOT CORPORATION

Camelot Corporation (NASDAQ: CAMIL) is a USA holding company focusing on software development and distribution. Its subsidiaries are Third Planet, which publishes Drgiffsone software, the complete Internet phone system allowing feed long-distance over the Internet (http://www.digiphone.com). Camelot Internet Access Services, an Internet service provider, Camelot Distributing, a CD-ROM software distributor to independent retailers worldwide, and Mr. CD-ROM Stores, the first CD-ROM software chain in the world featuring more than 2000 titles and



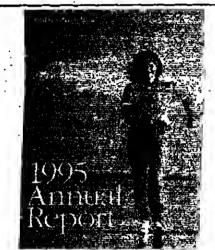
DANA CORPORATION

Dana Corporation, headquartered in Toledo, OH, and with operations in 29 countries, is a global leader in the engineering, manufacturing and distribution of products and systems for the vehicular, industrial and mobile off-highway markets. Dana's 1995 financial performance was outstanding: profits of \$288 million, up 26 percent over 1994, and record sales of \$7.6 billion, up 15 percent from last year.



ENGELHARD CORPORATION

Engelbard (NYSE) is a world-leading provider of environs specialty chemical products, engineered materials and related services. Five straight years of record earnings were marked by a 17% BPS increase in 1995, and dividends have been mixed for 13 consecutive years. Stock price climbed 47% last year, producing a five-year cumulative return (including divideads) nearly twice S&P's 500 Index and Dow Iones Chemical Sector, Engelbard's aggressive growth strategy



JENNY CRAIG

Jenny Craig (NYSEJC) is one of the largest weight management companies in the world - the only U.S. public company operating exclusively in that field. With approximately 781 Companyowned and franchised centres, Jenny Craig is closely associated with personalized service, lifestyle changes and delicious, highquality food products. In the 3/31 quarter, JC reported a gain in EPS from \$.05 to \$.35 and repurchased over 3.5 million shares.



NORFOLK SOUTHERN

Norfolk Southern Corporation is a holding company that, through subsidiaries, provides rail and truck transportation services and owns natural resource properties. Norfolk Southern's vision is to "be the safest, most customer-focused and successful transportation company in the world." Free-year growth (1995 compared with 1990) saw income from railway operations up 34%, net income up 32%, earnings per share up 63%, return on equity up 40% and safety improvement up 63%.



SONOCO PRODUCTS COMPANY

Source is a growth-oriented, global leader in the packaging industry with a 96-year record of named mics growth of 13.4% and annual partit growth of 12.6%. Source's 1995 sales were 22.7 billion, 17.7% stace than in 1994. And, 1995 samings per share were 25.5% more than 1994. Not knoone available to communi, shareholders was \$150.8 relition, 24.4% status than 1994. Source is currently working roward achieving VESENY 2000, the company's plan to double rules, double careings and significantly increase shareholder value by the year 2000. Source plans to achieve this objective with an emphasis on instead growth in an diverse map of industrial and commune probaging products. The company has more than 270 operations in 29 countries. CEO Chartie Color rays. "Sussecu's continuing purplins for satisfying are and profitable growth will drive higher performance year after year.



UtiliCorp United (NYSE:UCU)

in 1995 UtiliCorp continued creating America's first national utility by launching EnergyOne³⁰, the first nationwide brand of electric and gas products and services, It also acquired 49.9% of United Energy. Australia's first privatized electric distribution utility. With sales of \$2.8 billion. UtiliCorp markets energy nationally in the U.S., operates utilities in eight states and British Columbia, and has joint ventures in the United Kingdom, New Zealand and Jamaica,



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By Conner Middelmann

The eurobond market featured a slew of dollar issues as issuers scrambled to get deals done before the FOMC meeting on July 2 and 3 and US Indepen-

dence Day on July 4. A \$500m five-year offering for the International Financing Corporation, the World Bank's private-sector lending arm, saw such demand during

INTERNATIONAL BONDS

Asian pre-marketing that launch was brought forward by a day, said J.P. Morgan, joint lead with DKB Bank. It said the deal was fully placed by the time the bonds were priced, yielding 10 basis points

Associates Corp of North America, the diversified US finance company, launched \$300m of three-year bonds - its first issus under a receotly established \$3bn euro medium term note programme. The bonds, priced to yield 20 basis points over Treasuries, saw good demand from institutional accounts in the UK, Swiss retail said joint leads

Philippine Long Distance Telephone Corporation Issued a two-tranche \$250m global bond: \$100m of seven-year paper and \$150m of 10-year bonds. The shorter tranche is due to be priced today at an indicated spread of 175-185 basis points over Treasuries. while the longer tranche is to yield 240-250 basis points over - a significant decline from the 340 basis point premium PLDT

paid on 10-year bonds last July. Lehman Brothers, joint book-runner with Citibank, said the bonds saw demand from 'crosswho usually buy investmentgrade debt but are dipping into the top layers of sub-investfrom spread performance and potential rating upgrades.

Also in the dollar sector, the UK's Halifax Building Society issued \$200m of three-year bonds aimed at European retail investors. While some dealers argued that the Halifax lacks a large retail following in conti-nental Europe, lead manager Paribas said dollar activity continued to be driven by retail buying of three to fiveyear paper, and that the recent supply in those maturities had oot satisfied demand. In sterling, two banks launched subordinated, perpet-

BORTOWER US DOLLARS Jun 1999 Jul 2001 Jul 1999 Jun 2006 Jul 1998 Jul 1999 +10(M 5yr) DKB Inti/IP Morgan Secs +20(6%5-99) Lehran Brottsen/UBS (b)(6%5-08) Cathanie/Lehrann Brothera ATET UCCMT 98-2, Cls Appt 0.20R 0.875R 0.75R PLDT(I) ING Bankt Halifax Building Sc D-MARKS 100,00R Apr 2005 1,00R nes (Lines)(e,s) SWISS FRANCS Abbey Nati Tray Services(s STERLING Derr Danske Benk(1)‡ Société Généralo(g) FRENCH FRANCS DSL Pinance(s) McDonalds Corp CANADIAN DOLLARS AUSTRALIAN DOLLARS Export Development Corps 100.00 Jul 1999 1.00

NEW INTERNATIONAL BOND ISSUES

ual callable step-up bonds: Den Danske Bank issued £125m of floating-rate paper at an all-in cost around 50 basis

points over Libor, while

Société Générale launched

£100m of fixed-rate paper yield-

ing 105 hasis points over gilts.

Abbey National launched a benchmark deal in the Swiss franc market: SFr300m of three-year paper, with the big three Swiss banks - Credit Suisse, SBC Warburg and UBS as lead managers to optimise its penetration of that market.

• Moody's Investors Service raised the sovereign ceiling rating of the Republic of Ice land to A1 from A2, due largely to the success of structural reforms in restoring the macro-

US Treasury prices were nearly flat in early trading as traders awaited new supply in auctions today and tomorrow. Near midday, the benchmark 30-year Treasury was down at 86% to yield 7.093 per cent, while the two-year note rose is Proceeds will be used to to 99%, yielding 6.293 per cent. acquire real estate and for

sation programme which later

Hanoi gives green light for foreign convertible

By Jeremy Grant in Hanoi

Victnam has given the go-shead for the first issue by a local company of convertible bonds overseas, a \$5m facility raised by Ho Chi Minh City-based REE Refrigeration. The move marks a significant step for foreign equity participa-tion in Victnamese companies at a time when the country is still inching towards launching a stock market.

The bonds, to be underwritten by UK-based investment house Dragon Capital, will carry a fixed interest rate of 4.5 per cent a year and be convertible into REE shares in May 1999. There would be a limit on foreign ownership of 10 per cent for corporates and 6 per cent for individuals. The issue is also significant

because Vietnamese law technically forbids foreigners from buying stakes directly in local companies. However, the transaction was cleared by deputy prime minister Phan Van Khai on a trial basis, according to Dragon Capital director Mr Dominic Scriven.

This is much more beneficial to the Vietnamese than any joint venture. They maintain control and they access cash. If it works well, there's no reason why the initial expe-rience shouldn't be repeated," said Mr Scriven. He expects the deal to close on July 1 and that the bonds will be marketed to "a small number of suitable institutions in the UK. Hong Kong and Vietnam".

working capital. REE Refrigeration, which manufactures air conditioners and refrigeration equipment, was one of the first Vietnamese companies to be privatised in 1993, under a pilot privati-

ING Bank raises \$250m of Tier 3 floating-rate debt

ING Bank yesterday became the first bank to take advantage of the European Union's new Capital Adequacy Directive (CAD) to raise Tier 3 debt in the eurobond market.

The Dutch Bank issued \$250m of two-year floating-rate notes paying a coupon of 6.25 hasis points over the London inter-bank offered rate (Libor). Banks have traditionally funded their banking and trading activities with Tier 1 capiwhich includes equity. cash and non-cumulative per-petual debt, and Tier 2 capital made up of dated subordinated debt and cumulative perpetual

However, under CAD, which was implemented at the beginning of the year, banks can raise Tier 3 capital - unse-cured, short-term subordinated capital with a maturity of at least two years - to capitalise

their trading book. CAD stipulates, however, that interest and principal payments on Tier 3 debt must be deferred if payment would mean that the bank falls below

tory capital requirement. This condition makes Tier 3 debt riskier for investors, and makes its risk harder to assess by the rating agencies. Neither Standard & Poor's nor Moody's has rated ING's offering. The possibility of deferred interest and principal payments lowers the certainty of timely pay

ratings.

However, the absence of a rating did not hinder the successful placement of the deal, the lead managers said.

ment, a key criterion in bond

"We have seen good interest from money funds and corporates - especially companies who have a relationship with ING Bank - who don't usually care about ratings but are keen on an attractive yield pick-up over a short maturity," said a syndicate official at Union Bank of Switzerland, joint lead with Goldman Sachs.

Since the Bank of England and the Dutch central bank have been the quickest in implementing CAD, more Dutch and UK banks could tap the Tier 3 market in coming months, he said.

Swift signs fund manager for Windows NT link

By George Graham,

Swift, the international financial messaging system, has signed up its first fund manager for a new Windows

NT link to its network. Barr Rosenberg European Management, the London arm of Rosenberg, the US quantitative equity manager, is the only fund manager among eight institutions selected to test Swift's new Alliance Entry system, using Windows NT.

The link will allow Barr Rosenberg to exchange information on trades and dividend payments with its 27 custodian banks, with which it must now have 27 separate data links.

Swift has been centred on financial messages between banks, but has been trying to extend its network into the securities industry. On top of its mainframe-to-mainframe links, which were most accessible to banks, it last year added a Unix based link. It has now added the Windows NT option.

Uncertainty over interest rates stifles trading

By Richard Lapper in London and Lisa Bransten in New York

Government bond markets played out their equivalent of a score-less draw yesterday, with prices moving in narrow

ranges in quiet trading. Uncertainty about interest rate movements ahead of the meetings of the Bundesbank on Thursday and the FOMC next week, is one of the rea-sons. Also, in London at least, preoccupation with the European soccer championship and other sporting events is generating a holiday feel to dealings.

WORLD BOND PRICES

■ Publication of lower than expected consumer price data Baden-Würtemburg. Hesse, Nord-Rhine and West phalia gave an early boost to the German market, encouraging hopes that headline infla-

tion for this month could fall as low as 1.2 per cent, Mr Graham McDevitt, international bond strategist at Paribas Capital Markets, said an upward revision in German output figures for April indicated that growth in the second quarter was "looking more

news on inflation.

On Liffe, the September bund future gained nearly a quarter point in early trading but met resistance at 95.18 and settled at 95.05, up 0.08.

GOVERNMENT BONDS

ECU BOND FUTURES (MATIF) ECU100,000

NOTIONAL LONG TERM JAPANESE GOVT. BOND PUTURES (LIFFE) Y100m 100ths of 100%

116,48 116,30 -0.13 116,53 116,07 21627 5793S 115,60 -0.13 0 264 IN GOYT. BOND (ETP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

99.78 -0.20 100.21 99.74 42,671 81,224

French bonds drifted slightly lower, with the September Notionnel contract settling at 120.98, down 0.12. In the UK. gilts were helped by the strength of sterling, with the solid" and had offset the good September long gilt settling at

■ High-yielding markets had a mixed day. Sweden outperformed, with the 10-year spread over bunds falling to 170 basis points, down 6 basis points. But both Spain and Italy lost ground against bunds, with spreads over Germany widening by 6 basis points to 237 and

191 basis points respectively. Analysts attributed the Italian sell-off to the lack of an interest rate cut on Friday and said action is now unlikely before CPI figures for June are released on July 5. On Liffe, the September BTP future settled at 116.30, down 0.13.

1.43 1.77 2.15

The September 30-year Treasury future was flat at 107. The yield curve between two year notes and the long-bond steepened by 3 basis points to 80 points. The Treasury will anction \$18.75bn in two-year notes today and \$12.5bn in fiveyear paper tomorrow.

FT-ACTUARIES FIXED INTEREST INDICES

BENCH	IMARK	GOVE	RNM	ENT BO	NDS				BUND F	JTURES (OPTIONS (LIFFE) DM2	<i>6</i> 0,000 p	pints of 16	00%
		Coupon	Red Date	Price	Day's change	Yield	Week:	Month	Strike Price	Aug	Sep CA	Oct 1	Dec	Aug	Sep
Austrolla		10.000	02/06	106,7840		8,96	6.92	6.77	9500	0.53	0.78				2.73
Austria		6.260	05/06	98,9000	-0.010	6.58	6.66	6.42	9650	0.29	0.53	0.39 0	.B2 (174	1,98
Belgium		7.000	05/08	101,1900	-	6.83	6.87	6.69	9600	0.14	0.34	0.27	.48 1	.09	1.29
Canada .		7.000	12/06	94,0100	+0.200	7,85	7.88	7.71	Est vol total	Cots 9291	Puts 9900.	Previous day	A ODER IN	Cells 31	5916. P
Denntark		8,000	03/06	·103.2400	+0.120	7.51	7.80	7.39							
France	BTAN	6.750	03/01	100,1250		5.72	5.77	5.58	Italy						
	OAT	7.250	04/06	104,5800	-0.040	6.60	6.63	6.48	_						
Gormany E		6.250	04/06	97.5200	+0.120	6.60	6.65	6.45	■ NOTION				P) FUTUI	HES .	
tretand		8.000	08/08	101.6300	+0.080	7.75	7.84	7.63	(LIFFE)' I	Jma 200m	100ths of	100%			
Italy		9.500	02/08	101,3600	-0.080	9.291	9.52	8.54		Chann	East mice	Change	Likeb		
Japan	No 140	6.600	06/01	119.0190	-0.060	2.33	2.26	2.51		Open	Sett price	-	Hìgh	LOW	
	No 182	3.000	09/05	98.1913	+0.210	3.28	3.20	3.34	Sep	116,46	116.30	-0.13	116,53	116.0	7
Netherland		6.000	01/06	96,2800	+0.080	6.53	6.58	6.33	Dec		115.60	-0.13			
Portugal		11.875	02/05	0.0000	10.000	8.87	8.93	9.05	B ITALIAN	COURT DO	NIN PETER	EI WINES	OFFICE	R A HEEFA	15-20
Spain		6.800	04/06	98.8800	-0.200	8.95	8.16	6.18	1100	MOTI. BY	New Pales	retones	OF TRAIN	2 JUNI TILT	L azu
Sweden		6.000	02/05	86.1303	+0.334	8.31	8.45	8.41	Strike		CA	ســـ کا			P
UK GUIS		8.000	12/00	102-23	+3/32	7.27	7.39	7.36	Price		Sept	Dec		Sep	
OIL CONS		7.500	12/08	96-13	+3/32	a01	6.13	a05	11600	1	.49	2.01		1.18	
		9.000	10/08	105-21	+2/32	8.13	8.24	8.15	11650		24	1.77		1.44	
US Treasu	•••	6.875	05/08	89-14	-2/32	6.95	8.93	6.34	11790		.99	1.54		1.69	
00 110000	• 7	6.000	02/26	86-14	-3/32	7.10	7.09	6.84							
ECU (Fren	ch Govi	7.500	04/05	103.0300	-0.070	7.02	7.12	6.90	Est vol. total,	Cass 228	PUM 6/2 P	AMOUN CEAR	oben inc	Colle 6782	4 Puta
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			125 on	cont payable	by nonem				Spain						
	K in 32nds.			-un belane	-y		CO: AMAS	biterretorial	MOTION	AL SPANS	SH BOND	FUTURES	MEFF)		
US INT	rerest	RATE	s						Sea	Open 100.21	Sett price	Change -0.20	High 100,21	LON 99.7	

BOND FUTURES AND OPTIONS

	Open	Sett price	Change	High	Low	Est. vol.	Open int
Sep	121 16	1.*0.38	-0 12	121.20	120.98	48.840	147,907
Dec	119,94	179.70	-0 12	119.94	119.78	1,428	18,105
1.2:0	118,76	119.52	-0.12	119.76	119 76	2	741
I LONG	TERM FREE	VCH BOND	OPTIONS	(MATIF)			
Strike		CAL	LS			PUTS -	
Price	ᆀᆈ	Au	g 5	iopi	Jul	Aug	Sep
120	-				0.02	0.25	0.52
121	0 17	. 06	1 0	.93	0.20	0.57	0.81
122	0.02	0 1	7 0	49		•	
123			0	.20	-		-
124		-	a	.06			-
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Germ	Sm.						
	DNAL GERMA	N BUND F	UTURES (TILLE. DI	W250,000 10	Oths of 10	09a
	Open	Sett price	Change	High	Low	Est. vol	
Sep	95.08	95.05	+0.08	95.17	94.97	75933	199474

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Wallaushita Elec 7% 02	~ 1000 °	934 100 <u>1</u> 2	931 ₂ 1002 ₈	႕	7.72 7.23	OTHER STRAIGHTS Bayerische LE Giro 812 CA LET _ 2000					LKB Briden-Wuert Fer - L	98 4000	100.18 38,93	100.22 100.00	5.5430 5.4781
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Debec Hydro 84; 98	200	1035	1037	·	875	Bell Canada 10% 88 CS	1(293)	110	4	7.10	Ontario 0.99 Portugal A 99 DM	2000	99,97	100.05	5.4805
PAS 10 99	150 1	1064 1063	1074 1054		7.11 6.63	Bellish Columbia 73, 03 CS 1250 Canada Mig & Hag 84, 99 CS 1000	103%	1005 1045	418	7.80 6.97	Uzliabec Hwdim () 90	640	100,22	100.31 98.72	3.4100 5.5352
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ickyo Bec Power 64 OR	_ 1000	931	94	4	7.28	Culture & RD CS. 1870	4047	1093 ₂ 102	+4	7.09 7.80	CONVERTIBLE BONDS				
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Walt Dieney 6 ³ s (7)	. 1300	97 ¹ 2	97. ³ 9 94%		7.22 7.30	Quebec Piydro 7 04 CS 1000 Quebec Prov 10 ¹ 2 96 CS 200	93¾ 103	94 108%	14. 14.	8.22 6.78	Affect Lyons 8% 08 £	200 0		98 90	+28.12
Warld Blank 8 2 99	1500	1054	105%		6.67	Council Surope 9 01 Ecu 1100	111	1114	ή. -		E Philippe Riv tin c	490	6.4 1 -37 119	00 100%	+39.53
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lorway 64 SB	1500 1	81,2 03,7	103 ² 6 973	-	497	Stn Aust Good Fin 9 02 AS 150 Univer Australia 12 96 AS 150	10012	1003 ₉	14 14	8.95 8.90	Transfer Heart Place	155	3.9 106	2 10712	49.59
Interio 6% 04 pair 7% 03	. 1000 4000 1	1917 <u>s</u>		+1g	6.85 6.35	Western Aug. Trace 75, 98 AS 100	105 ³ 3	1057 <u>a</u> 293 ₈	44	8.58 8.27	. No information projects tony one market make		05 :	86 87	1222

CURRENCIES AND MONEY

MARKETS REPORT -

Market focus shifts towards G7 summit in Lyon

By Philip Gawith

Photo pur OMY

It is a measure of the torpor which hangs over the foreign exchange markets that talk yesterday should already hava turned to the G7 summit in Lyon later this week.

There was little by way of news or data releases for the markets to chew on, leaving prices to trade in a very narrow range.

The dollar finished in London at DM1.5315 and Y109.105 from DM1.5289 and Y108.990. Comments from Mr Robert Rubin, the US treasury secretary, that the US would not be calling for a stronger dollar in Lyons served as an early dampener, but were later counteracted by comments from Mr Larry Summers, his deputy.

The Italian lira was initially a little softer after the government falled to live-up to preweekend hype that it might apply to re-enter the European exchange rata mechanism. It

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The state of the s

 $q_{XXY}(x) \approx 0.0875$

off an intra-day low of L1,009.9. recent resilience. Adverse fac-After starting the day weaker, sterling rallied to finish with the trade weighted index unchanged at 85.9. It closed at DM2.3580 and \$1.5398 from DM2.3551 and \$1.5403.

■ The one piece of data which was being discussed was German cost of living figures for June. Mr Tony Norfield, UK treasury economist at ABN AMRO in London, said releases from some of the Lander suggested overall inflation was likely to be around 1.3 per cent in June, compared to 1.5 per cent in May. This would keep the way open for a cut in the repo rate, which should under-

Analysts have also taken comfort from the dollar's

Pos	ed in Hear Yer	k
Jun 24	Latest	- Prev. cions -
£ spot	1.5400	1,5355
T mate	1.5306	1.5352
3 milh	1.5394	1.5349
1 W	1.5419	1.5372

tors included the outcome of the Russian election, the Japanese growth shock, comments from Bundesbank officials sug-gesting the revaluation of the dollar was over, and the pace of M3 growth.

Mr Klaus Kusher, an analyst in the Dresdner Bank group said the fact that a sell-off had ing interest resurged amid falling prices speaks in favour of the underlying strength of the US dollar currently."

The technical outlook is not wholly encouraging. Mr Brian Marber, a London based technical analyst, said he had come close to advocating short dollar positions last week for the first time this year. He said the daily close chart showed a potential head and shoulders top, subject to confirmation on DMI.5476 on May 28 had been a DM1.4999 close. If it were to be confirmed, he said it would "far larger than the previ-



down to the 1995/6 uptrend at

1994

DM1_4230_ Against this scenario, said the high, although only 14.4 per cent above April 1995's low. "No long-term dollar sdvance ous tops since April 1995's has been smaller than 27 per low", leaving the dollar vulner- cent, even though several have

been shorter than the current one's 14 months." Mr Marber is still instructing clients to stay long the dollar.

With current exchange rates at levels which engender little dispute, there does not seem to be room for the G7 to add much of use. This is the line taken by Mr Robin Marshall, chief economist at Chase in London: "G7 gatherings are not what they were and their impact on global markets is easily exaggerated".

the G7 gatherings. Mr Robin Aspinall, strategist at National Australia Bank in London predicted "little more than a self-congratulatory sectence currency movements...Such smugness is appropriate - provided you do not look too far back into the dollar's performance, or look at its performance against any major currency other than the

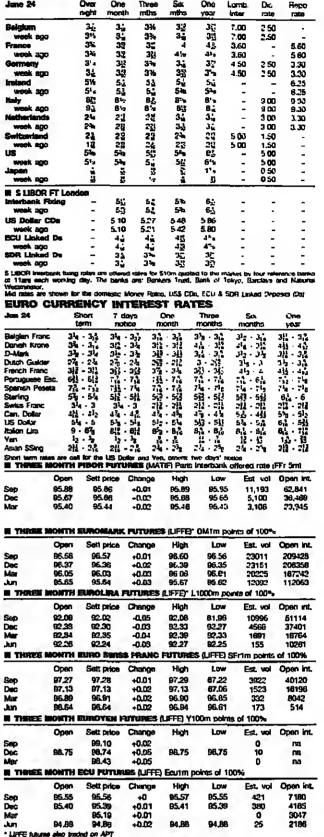
Some observers disparage

His strictures seem harsh. The rally in the dollar last year can be traced almost directly to the statement of support from the Washington meeting of G7 finance ministers and central bankers in April.

Mr Carl Weinberg, chief economist at High Frequency Economics in New York, is one who thinks the summit may move markets. "We believe that if the summit communique does not explicitly show agreement that the "apprecia-tion of the dollar" has gone far enough, the greenback will immediately rise after the summit to the Y115 level that senior Team Clinton people have deemed "acceptable" in comments over the last few

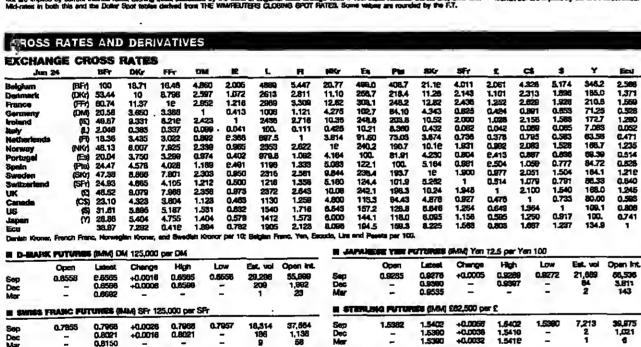
Jun 24	2	5
Conch Ro	42.4668 - 42.5	191 27.5830 - 27.608
(torger)	231.340 - 231.	482 150.260 - 150.370
	4520.30 - 4518	189 3000.00 · 3000.00
Kernet	B4616 - 045	30 02998 - 03000
Potenti	4.1857 - 4.19	48 27157 - 27237
Paneta	7807.31 - 7814	47 5071 00 - 5074.00
UAE	5.6542 - 5.65	68 3 5725 - 3,5730

Jun 24		Closing mid-point	Change on day	Bid/offer apread	Day's	Mid low	One str		Three ma		One y		Bank of Eng. Index	Jun 24		Closing mid-point	Change on day	Bid/offer apreed	Day's	mid low	One m	%PA	Three mo		One yo	%PA	LP Morga
Europe						_								Europe	-												
Austria	(9chi	15.5968		907 - 029		16.5410	16,5656	23	15.4906	2.6			104.7	Austria	(Sch)	10.7782	+0.0183	780 - 804	10,7990	10.7525	10.7587	2.2	10,7167	2.3	10.5332	2.3	1D4.B
Beiglum	(BFr)	48.5184		989 - 378	48,7080	48,3680	48,4234	2.5	48.2334	2.3	47,4434	2.2	108.4	Belgium	(BFr)	31.5085	+0.0455	018 - 160		31.4880		2.1	31.3385	2.2	30.7985	23	106.1
Denmark	(DIK)	9.0790		752 - 827	9.0855		2.0653	1.8	9.045	1.5	8.8371	1.8	107.2	Denmark	(DKd			945 - 975	5.9075	5.8880	5.8885	1.5	5.8715	1.7	5.8025	1.6	106 5
Finland	(FM)	7,1512		442 - 581		7.1380	7.1468			0.7	-	-	84,1	Finiand	(FIA)			403 - 478	4.8871		4.8376			1.8	4,5801	1.4	83_2
France	(FFr)	7.9884		864 - 903	8.0021		7.9762		7.9535	1.6	7.8801		106.7	France	(1711)			273 - B82	5.2007		5.1809			1.6	5.0988	1.7	108.2
Germany	(DM)	2.3582		574 - 590			2.3538	2.3	2.3447	2.8	2.306	2.2	108.1	Germany	(DM)			312 - 317	1.5345		1.529			2.2	1.495	2.4	167.5
Greece	(D)	372.829		583 - 074		371.414		-:					67.3	Greece	(01)			000 - 240		241.500				-8.3	261,12	-7.6	67, e
ireland.	(12)	0.9727		721 - 732		0.9711	0.9722		0.971	0.7	0.9886		99.4	ireland	(17)			825 - 838		1.5780	1.5837			-0.4	1.5761	e.4	_:
Italy		2372.39		162 - 316		2370,05	2377.94		2387.79	-2.6	2420.29		78.9	thely	- 64	1540.66		041 - 091	1548.25		1545.41			-3.3	1576.31	-23	77,5
Luxembourg	. (LFY)	48.5184		999 - 378		48,3880	48.4234		48.2334	2.3	47,A484		108.4	CINGUIDALID	(LFr)			016 - 160		31.4680	31.4555		31.349	2.0	30.8685	2.0	106.1
Netherlands	. (H)	2.6432		420 - 444		2.8381	2.6371	2.8	2.6252	2.7	2,5774		106.5	Notherlands	(FI)			160 - 170		1.7140	1.7131	2.3	1.708	2.4	1.6743	2.5	106.0
Norway	(NK)	10.0798		725 - 866		10.0219	10.0711	1.0	10.0541	1.0	9.9706	1.1	98.3	Norwey	(NK)			423 - 493		8.501e				0.5	6.5008		97.5
Portugal	(Es) (Pta)	242.141 198.333		026 - 256 224 - 442		241.653	242,568		243,471 199,108	-53	200,508		94.7 80.4	Portugal	(Es)			200 - 300 750 - 850		128,700	157,565		158,155		160.3		BD.1
Spain Sweden	(SKr)	10.2405		311 - 498		197.874 10.2241	10.2408		10.2408	~1.6 e.0	10.2380		90.7	Spain Sweden	(SKr)			453 - 668	8.8710		6.8613			-2.1 -1.7	0,7208		90.0
Switzerland	(SFr)	1.9455		445 - 465		1.9402	1,9405		1.9297	8.3	1.8815	_	110.3	Swizzeriend	(SFr)			830 - 639	1.2680		1.28			3.5	1.219		109.7
UK	(2)	1.0400	40,000	440 - 460	1.24/0	1.9405	1,3403	2.1	178531	4.3	1.0013	- 0.0	85.9	UK	(30)			396 - 401	1.5412		1.5395		1.5393	0.1	1.5448		85.5
Ecu	(44)	1,2447	.0.000	441 - 452	1 2460	1,2408	1,2434	1.3	1.2404	4.4	1,227	4.7	00.0	Ecu	44	1,2372		368 - 375	1,2387		1.238		1.2398	-0.0	1.2485		023
SDRt	_	1.08823	+UJUG		1-2406	1.0400	1,2434	1-3	1.2404	14	1241	1.7		SDRt	_	0.69334	-4444	300 - 313	12.301	12,340	1230		1-2-000		12400	-0.5	
Americas		LUGOEG	-		_	-		_	_	-	_	_	-	American	_	0.0300-	_					_		-	_	-	
Argentina.	(Pesc)	1,5377	-0.0003	373 - 381	1,5407	1.5341							_	Argentina	(Peso)	8899.9	-	985 - 987	1,0001	0.89847		-					
Bruzil	(PS)	1,5448		442 - 450	1.5455							-		Brazil	PS		+0.0004	030 - 032	1.0035	1,0029		-	-				
Canada	(CS)	2,1000		992 - 007	2,1022		2,0993	0.4	2.0957	0.6	2.0878	o.e	84.6	Canada	(CS)	1,3838		635 - 640	1.3656		1.3636	0,1	1,3639	0.0	1.3667	-D2	83.8
Mercico (No	w Peso)	11,7598	+0.0955	502 - 694	11,7704							-	_	Mexico No	w Peaci	7.8370	+0.0835	320 - 420	7.8440	7.5300	7.7985	-25.4	7.8835	-18.1	6.747	~27.B	
USA	S	1,5399		386 - 401	1.5412	1.5839	1,5395	0.3	1,6393	0.1	1,5421	-0.1	97.9	LISA	(5)				-	_						-	98.1
Pacific/Middle		thica	•					***						Pacific/Midd	e East/	Adrion											
Australia	(AS)	1.9485	+0.0009	476 - 495	1.9622	1.9427	1.9512	-1.6	1,9562	-1.6	1,9615	-1.7	83.7	Australia	LAS	1,2653	+0.0008	850 - 858	1,2665	1,2647	1.2873	-1.9	1,2708	~1.7	1.2895	-1.6	85.1
Hong Kong	(I-DKS)	11,9174		147 - 201			11,9093		11,8977	0.7	11,8779	0.3		Hong Kong	DHKSD	7.7393	-0.0017	388 - 398	7,7408	7,7384	7.74	-01	7.7416	-01	7,7688	-0.4	-
India	(Fle)	53.7408		241 - 575				-	-		-	-		toda	(Park	34,9000	+0.05	000 - 000	35,1000	34,7000	35.05	-52	35.355	-5.2	36,825	-5.5	_
terael	Shki	4.8779		749 - 815		4.9861		-		-	-	_		lernet	(Shid	3.2327	-0.0362	309 - 345	3,2696	3.2270		-		-		-	•
Japan	m	168,005		924 - 087	168,090	167.210	167.28	5.2	165,76	5.3	158,375	5,1	134.3	Jepen	M	109,105	+0.115	070 - 140	108,170	108,720	108.86	4.9	107,78	4,9	104.02	4.7	134,7
Mulavala	(M5)	3.6473		450 - 487	3.8500			•		-		-	-	Material	(MS)	2.4985	+0.002	980 - 980	2,4002	2,4955	2.4984	-0 <i>A</i>	2.5055	-1.1	2.529	-1.2	-
New Zeeland	(NZ\$)	2.2740	+0.0049	728 - 752	2.2776	2.2674	2.279	-2,6	2.2865	-2.5	2,3223	-2.1	106.7	New Zeeland	NZS	1.4787	+0.0035	762 - 773	1.47B2	1,4758	1.4796	-2.5	1,4858	-24	1,5102	-2.3	-
Philippines	(Pego)	40.3210	-0.0233	605 - B14	40.3820	40.2189		•		-		-		Philippines	Pesol	25,1850	-0.01	500 - 200	26,2200	28.1500	-	-	-	•	-	-	
Sauci Arabia	(SF)	5.7752		740 - 763	5.7800	5,7530		-		-	•	-	-	Sourt Arabia	(SP)	3,7506	-0.0002	503 - 508	3,7508	3,7502	3,751	-0.1	3,7517	-0.1	3.755	-0.1	
Singapore .	(88)	2,1709		696 - 720	2.1722	2,1631				-		-	-	Singapore	(55)	1,4098	+0,0001	093 - 103	1,4105	1,4090	1,4052	3.0	1,4002	2.7	1.3748	2.5	•
South Africa	(F0)	8.7061		011 - 112	6.7163							-	•	South Africa	070	4,3550	-0.0096	526 - 575	4,3650	4.3520	4,4025	-13.1	4.4825	-126	4,83	10.B	-
South Korea	(Word)	1249.51		908 - 986	1250.38	1230.00		-		-		-	-	South Koren	(Worth	811,450	+4.3	300 - 800	B12,000	800,000		-	-	-		-	
Tahwan	(73)	42,4899		545 - 453	42,5816	42,4130		-	•	•	-	-	-	Tahwar)	(73)	27,8000	-0.015	750 - 250	27.8510	27,5650	27,805	-0.2	27.61	-0.1			-
Thefand	(Bt)	38.0506		366 - 646			_	_	_		_	_		TheBend	-	25,3800	40.04	550 - 650	25,3650	25 9400	SE AEDY	-4.7	25.6825	-4.B	26.545	-47	-



WORLD INTEREST RATES

MONEY RATES

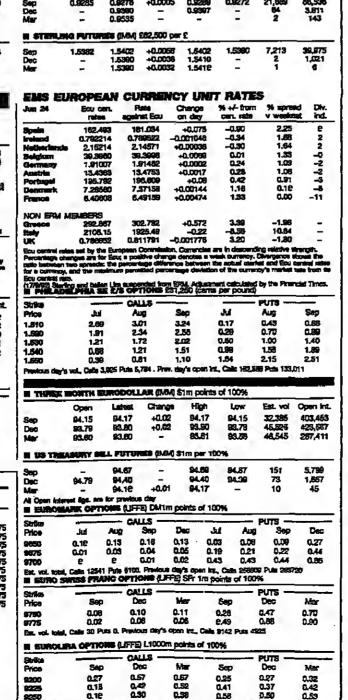


UK INTE					_		
LONDON	MON			_		_	-
Jun 24		over- night	7 days notice	Month	Three months	Sbx months	yes:
Interbenk Sterling		Bl4 - 434	5% - 5%	512 · 514	512 - 513	54 - 54	64 - 6
Gerling CDs		-		54 56	54 - 51	54 - 54	e - 53
Treasury Siles			-	511 - 54	54 5K	-15	
Bank Bille				511 - 57	· 54 统 · 54	54 · 04	e1 m35
Local authority of	iepa.	513 - 514	54 - 57	54 . 55	332 - 383	號 - 5张	6/4 - 5kg
Discount Market	deps	6 - 55	54 - 55	•			
UK clearing bank	k base	lending rate	5% per c	ers from Ju	me 8, 1996		
			Up to 1	1-3	3-6	6-9	9-12
			month	month	months	months	morabs
Certs of Tax day. Certs of Tax day. Ave. tender mas of May 31, 1986. Agr	under £	100,000 is 2 ¹	6.500 PG.	to 14 23 16	OA Schemes	1 8 H 7 M	44, leice up day s, Reference se Ruta
Certs of Tax dep. Ave. tender mite of May 31, 1996. Agr rets for period Mic. 8 Sec. from July 1.	under £ discour red rate y 1, 199 1996	100,000 is 2 ¹ rit en Jun 21, a for pariod J is to May 31,	200. Deposit 6.5867pc. I un 26, 1996 1966, Sche	to withdrawn BCGD Stood or to Jul 23, 16 mag IV & V 6	for cents 1 kg ste SNo. Expo 186, Schemen 104po. Finan	nt. Int Firence. M In a pr 7.35pr to House Br	laice up day , Reference se Rate
Certs of Tax dep. Ave. tender mite of May 31, 1986. Agr yes for period Mis 8.5pc from Jun 1.	under £ discour wed rate y 1, 199 1996	100,000 is 2 ¹ rit en Jun 21, a for pariod J is to May 31,	200. Deposi 6.5567pc. i un 26, 1995 1966, Scho	to withdrawn BCGD Stood or to Jul 23, 16 mag IV & V 6	for cents 1 kg ate SNo. Expo 186, Schemen 104po. Finan	nt. Int Firence. M In a pr 7.35pr to House Br	laice up day , Reference se Rate
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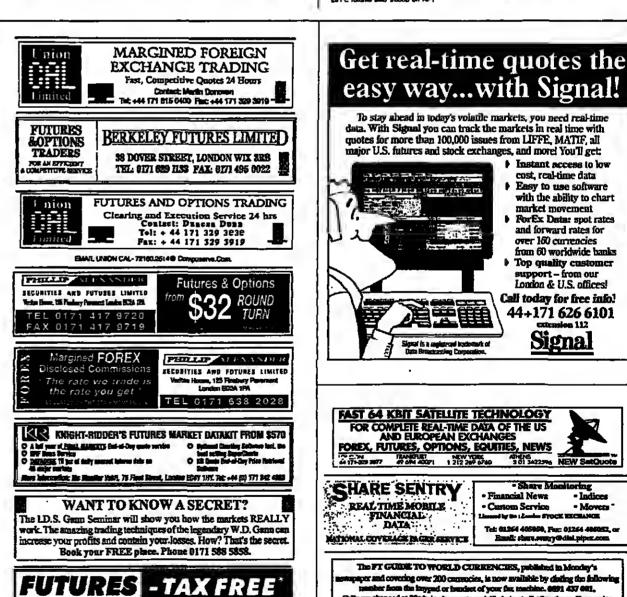
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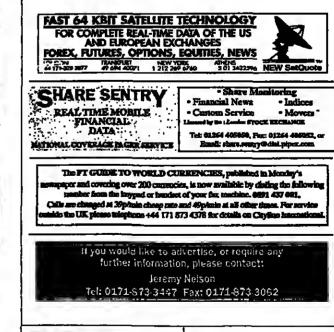
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LONDON STOCK EXCHANGE

MARKET REPORT

Worries over earnings downgrades hit shares

By Steve Thompson, UK Stock Market Editor

Traders in London's equity market were fighting over the few scraps of institutional business being transacted, at the start of what promises to be a quiet week.

Apart from the dearth of customer business, as opposed to trading between marketmakers, there was a growing feeling that the close of the second quarter could bring a series of substantial profits downgrades in the manufacturing

Also worrying for market observfollow the lead of Wall Street. Up 45

points on Friday, the Dow Jones industrial Average made further rapid progress at the outset yesterday, climbing some 30 points in response to a comforting performance by US bonds. Cilts did their best to support the UK equity market, bolding up well ahead of tomor-

row's £3bn auction. As was the case last week, there was no shortage of sporting distractions, for the next two weeks, investors' interest, already minimal after Royal Ascot and the Test Match, will be further diluted by tennis at

"Institutional dealers prefer the ers was London's latest refusal to sporte screens to the trading screens at the moment, and there is

precious little we can do about it," noted the head of marketmaking at one UK securities house.

Important economic news items are thin on the ground and while there is a long list of company news ltems, only one FT-SE 100 index constituent, Asda, the food retailing group, is expected to report.

At the close of one of the quietest sessions for many weeks, the Footsie had given ground for the fifth consecutive trading day, ending 11.5 off at 3,710.8, while the FT-SE Mid 250, representing the market's second-line stocks, fell for the sixth out of the last seven days. That index

settled 7.4 down at 4,433.3.

Warburg upgraded forecast.

three new board members.

current operations director,

Liberty jumped 20 to 415p,

with recent press reports fuel-ling speculation about the

future of the family's stake to

Growing concern over the

dividend of BTR saw the

shares shed a further 2 in early

trading yesterday. However,

analysts which appeared to staunch some of the blood-

letting. Following a 20 per cent elide since the middle of May,

the shares finished steady yes-

Zeneca was lifted 3 to 1385p

as the US Food and Drug

Administration gave approva

leaving the group.

the business

terday at 255p.

had been unhappy with downgrades of ICI and BTR last week, and adopted the view that there were more cuts in earnings forecasts to come in the next few weeks.

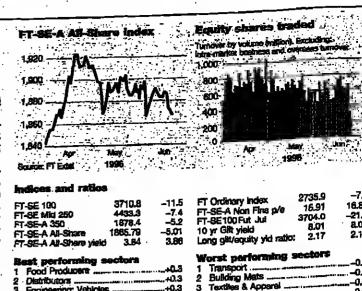
"Analysts will be talking to managements and the feeling is that there will be a lot more had news on profits than good news," said one senior salesman.

The market kicked off the session in reasonable fashion, with the Footsie opening some 7 points higher, as marketmakers lifted their opaning levels to accommodate Wall Street's rise on Friday night. But with no evidence of any substantial buying interest from the Dealers noted that the market big funds, prices began to falter,

driving the index into the red within 15 minutes of the opening. . The Footsie future gave no assistance to the cash market, trading at a discount all day and undermining confidence among dealers.

The prospect of a series of hicrative Ministry of Defence contracts drove British Aerospace to the top of the Footsie performance table. But shares in British Steel were hampered by rumours that the company may be considering the pur-chase of Hoogovens' steel business, valued in excess of £750m by some industry observers.

Turnover at 6pm had reached 599.4m shares. Retail business on Friday was valued at £1.71bn.



FUTURES AND OPTIONS

W FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point

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on & Cot, LT.

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Tough start for **Sun Life**

Volume in London was dom-inated by the first day of trading in Sun Life & Provincial Holdings, the UK and Ireland arm of UAP, the

French insurer.
Some 41m "wben issued" shares changed hands as Robert Fleming Securities, the global co-ordinator of the offer, etruggled to maintain the share price by buying back in the market through the so-called "green shoe" share etabilisation process.

Analysts said a number of institutions had shied away from the offer, feeling that the strike price of 235p a share was too high.

Consequently, institutions which had put in bids for stock through the book-building process, and assumed that their bids would be scaled back, were left with more shares than they bargained for. They offloaded the surplus in the market and Fleming was said to have been bidding for stock all day. Some dealers said the broker had used up most of its green shoe allocation, which has another 29 days to run.

However, there was praise for both Fleming and UAP for getting the offer away under difficult circumstances. The shares ended the day at 232p.

Mirror dulled

hit Mirror Group, which saw its share price fall by more than 3 per cent at one stage. On Saturday, News Interna-

tional launched an offer to buy the News of the World for 10p a copy with a voucher in the Sun. This is expected to hit sales of the competing Sunday Mirror and, consequently, profits at the parent.

Panmure Gordon removed Mirror Group from the buy list and reduced its forecasts. It has moved its current year figure down by £6.5m to £90m and next year's prediction by £7.5m to £115m. The shares dipped 4

to 209p. Advertising group WPP received a boost from a very positive annual meeting state-ment. Mr Burt Manning, the experienced head of the J. Walter Thompson subsidiary, was reported to have said business was better than be had ever seen it. WPP rose 7 before settling 2 ahead at 211p.

Oils supported

Lasmo and Enterprise Otl, the UK's principal oil explora-tion and production compawere supported by an enthusiastic broker note.

Mr Alan Marshall, oil analyst at Flemings Research, has turned buyer of Lasmo following recent underperformance the shares and has reiterated his buy stance on Enterprise. The companies are drilling, respectively in Algeria and Italy. Mr Marshall argued that: "Both regions clearly provide enormous upside potential in terms of reserves and longer term production trends.

Lasmo shares finished steady A focus on the return of a at 175%p and Enterprise Oil price war among the tabloids firmed a penny to end at 463p.

571p on the back of an iary of the exploration and production company has leased a deep-water drilling rig. The announcement carried the implication that British Borneo is making big strides at one of

its exploration fields, probably in the Gulf of Mexico. Asda edged up to 1181/2p on trading of 8.4m shares ahead of Thursday's figures. Analysts be surprised if results came in above the most optimistic of forecasts. "Nobody wants to be

ehort," said one analyst. Carpetright declined 6 to 571p, with an agency cross of 4.8m shares following a placing of Employee Share Option Plan (ESOP) shares by SBC Warburg at less than the prevailing market price.

There was some profit-taking

Next, whi							new a	
NANCIAL				INDIC		Yr aga	14gh	
dinary Share	2735.9	2743.0	2749.4	2788.9	2778.8	2490.5	2885-2	•
d, div. yield	4.09	4.07				4.27	4.09	
ratio net	16.14	16.10	16.22	16.33	16,37	15.58	17-25	
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Jun 24 Jun 21 Jun 20 Jun 16 Jun 16 Yr ago 15gh 1097,80 1102,40 1102,40 1105,70 1110,40 — 1140,40

Rises and fells

British Borneo rose 20 to FT-SE 100 index and an SBC on concern about overcapacity in its important polyester and titanium dioxide markets.

181p after the announcement of Speciality chemicals group BTP rose 16 to 294p following with Mr Tony Hancock, the well received full-year figures. British Biotech had some of the wind taken out of its sails as the cautious sentiment to the market led to a certain amount of profit-taking. The shares lost 108 to 2400p.

Relief that Scottish Power is out of the battle zone and has practically achieved its target of acquiring Southern Water sent the former's shares 4 higher to 315p.

Southern Water, which said it was advising shareholders to accept the new Scottish offer eased 6 to 1001p, Southern Electric, the apparent loser in the bid battle, fell 9 to 706p.

Wessex Water, viewed by many ntilities analysts as the next takeovar target in the water stocks, moved forward 18 to 367p. British Aerospace improved

14 to 990p to anticipation of aircraft and reports that the UK government plans to boost spending on defence by more than £12bn, favouring British companies in the process. Sev eral brokers, including ABN Amro Hoare Govett and SBC Warburg, reiterated their British Airways retreated 6

to 548p on a slightly belated day by the director general of Fair Trading. The OFT said the airline's plans to link up on marketing with American Airlines merited an investigation. And comment in the weekend press reinforced uncertainty among investors.

Orange, the mobile telephone group, was beavily dealt on its first day of trading in the Footsie. The shares fell 6 to 237%p on volume of 10m. 5 to 970p as the price of copper

dropped to a 21/2-year low.

Perpetual, the fund manager, receded 48 to 2415p on the back of industry figures which showed that net sales of unit trusts in May had halved from their April level.

Birse, the builder, mo ahead 4% to 27p on trading ume of 21m shares. Spe tive brying was said to behind the rise. Sherwood Group, the ci

ing company, fell 9 to 83 carried out at 83p a share. Sinclair Montrose Rea care, the staff agency, ma etrong debnt on AIM. shares, which were places 140p, began trading at 164p

closed at 167p. MARKET REPORTERS Peter John, Lisa Wood,

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-	F.P.	33.3	163	123	Lands Improvement	126			-	-	
-	F.P.	2.51	125	110	*Matrix Hathcare	110		-	-	-	
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70	F.P.	16.5	76		SEA Multimedia	· 73			-	-	,
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	2093,36 2003, 2093,36 2003, 2765,96 2738, 2471,25 2348, 1850,51 1745, 88, "FT Gold MI	200 age yield % 2008.36 2008.65 1.50 2765.99 2738.35 2.64 2471.25 2348.20 2.64 1850.51 1745.69 0.75 98. **T Gold Mitnes Index* is a 1	-20 age yield % ratio 2093.36 2003.66 1.50 — 2765.99 2738.35 2.64 37.42 2471.25 2348.20 2.64 29.15 1850.57 1745.69 0.75 84.15 186. "FT Gold Mitnes Index" in a brainman'	-28 age yield % natio tilgh 2093.36 2003.46 1.50 - 2520.73 1 2765.99 2738.35 2.64 37.42 3653.86 2 2471.25 2348.31 2.64 23.15 2527.34 2

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FT-SE-A 350 Higher Yield	1798.1	-0.4		1808.9			5.26	1.92		58.80	1258.91
FT-SE-A 350 Lower Yield	1985,9	-0.1		1971.4			2.71	2.29		37.50	1303.92
FT-SE SmallCap . FT-SE SmallCap ex lav Trusts	2228.69					1845,45	2.91	1.78 1.87	24.14	35.44	1831.84
FT-SE-A ALL-SHARE	1865.78					1625.33	3.84	2.04	15.98		1586.37
FT-SE Actuaries All-	Share .										
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10 MENERAL EXTRACTION(24) 12 Extractive Industrice(6)	3470.65 4337.21					2886,33	3.86	1.83 2.52	17.69		1485.35 1278.53
18 Oil, Integrated(3)	3509.40					2830.44	4.08	1.72	17.78		1550.78
16 Oil Exploration & Prod(15)	2497.66					2028,93	2.10	1,58			1504,30
20 GEN INDUSTRIALS(275)	2046.94	-0.3 2	052.58	059.38	2068.37	1913,82	4.19	1.90	15.67	15.01	1123.01
21 Building & Construction(34)	1210.07		207.79				. 3.40	1.68	21.87 2		1014.97
22 Building Matts & Merche(29)	1898.23 2448.57		907.80 1				4.03	1.77	17.53 4		962.27
23 Chemicals(25) 24 Diversified Inclustrials(19)	1589.97		454,62 2 595,32 1				4.07 a.55	1.96	15.68 5	5.38	1166.44 887.08
25 Electronic & Bect Equip(37)	2358.27		363,10 2				3.14	1.97	23,75 1		1218,92
26 Engineering(71)	2461.09	-0.3 2	469.52 2	475.32 2	468.21	1952,61	3.24	. 2.49	15.49 4		1502.08
27 Engineering, Vehicles(13)	3038.00		030.32 3				3.51	1.96			1578.01
28 Paper, Pckg & Printing(28) 29 Textiles & Apparel(19)	2606.54 1387,37		807.40 2 305.69 1				3.93 5.10	1.98		5.87 1.87	1091.47 868.25
30 CONSUMER GOODS(81)	3535.90		544.74 3				3.96	1.80			
32 Alcoholic Beverageo(9)	2679.35		887.85 2				4.67	1.62			1313.36 972.59
33 Food Producers(23)	2527.70		512.20 2				4.12	1.97			1148.22
34 Household Goods(15)	2642.27	+D.1 2	540.19 2	844.75 2	057,26	2629,91	3.76	2.16	15.45 5	8.43	013.93
36 Health Care(20)	2134.61					1807,35	2.53	1.84	26.89 \$		309.28
37 Pharmeceuticale(13) 38 Tobacco(1)	5082.78 4256,62		110.09 5 273.66 4				3.32 5.97	2.12	20.15 0		733,17
40 SERVICES(256)	2539.88		48.81 2					_	9.87 15		
41 Distributora(32)	2928.74		19.49 2				2.81 2.82	2.01 1.78	22.15 5		329.17 1064.60
42 Leisure & Hotels(34)	3294.10		296.88 3				2.69	1.89	24.62 14		775.08
43 Media(46)	4184.52		91.82 4				2.17	1.88	30.58 S	1.77 1	817.42
44 Retailers, Food(15)	2034.98		139.94 20				3.73	2.31			305.81
45 Retailers, General(44) 47 Brewerics, Pubs & Rest.(24)	3197.33		12.08 2 08.36 3				2.97 3.10	2.18 2.14			212.40 541.66
45 Support Services(48)	2441.70		43.88 2				1.88	2.37			554.98
49 Transport(22)	2355.67	-0.7 23	72.81 2	373.60 2	384.64 2	215.32	3.45	1.47			989,74
90 UTILITIES(23)	2334.88	-0.6 23	46.69 23	50.87 2	305.58 2	347.05	5.46	1.98	11.59 77	7.13 1	003.09
62 Ejectricity(11)	2568.82		84.00 25				5.34	2.35			260.84
64 Gas Distribution(2) 66 Telecommunications(8)	1223.49 1965.05		30.25 12 95.37 20				6.79 4.05	1.36			41.73
58 Water(12)	2150.95		57.44 21				6.15	1.78 2.34	17.27 12 8.70 67		204.08 201.11
89 NON-FINANCIALS(882)	1990.45	_	96.88 20				3.B3	_			
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70 Pandrosus(103) 71 Banks, Retuiks	3009.23	-0.3 25	55.47 26 20.92 38	51,42 28 08,68 30	75.08 2 54 40 3	178.78	4.25 3.98	2.62	11.23 78 10.85 110		235.32
72 Banks, Merchant(6)	3869.42		89;31 36				2.69		19.56 55		168.47
73 Ineurance(23)	1448.50		53.73 14				5.83	3.12	6.87 48	LOT 1	098.10
74' Life Assummoe(B) 77' Other Financial(21)	3326.81 2663.97		40.75 33 88.70 26				4.48	2.24	12.43 10		
Property(41)	1521.30		26.26 15				3.91 4.18				527.37 44.32
O INVESTMENT TRUSTS(129)	3161.13		57.51 31				2.22		61.83 39		107.85
E FT-SE-A ALL-SHARE(900)	1865,79		70.80 18				3,84		15.96 43		
-SE-A Fledgling	1272.66		_								586.37
-SE-A Fledging ex inv Trusts	1289.01		72 .32 12 38.59 12				2.71 2.91		21.47 16 18.55 17		332.84 350.36
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-SE MIC 250 4441.8 4442.9 -SE-A 350 1888.6 1888.8	4439,5 1880,8	1881,9			27		4497.1 1881.2	4433.7 1878.8			SS.3
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								cover	ratio	ytd	
16 MENERAL EXTRACTION(24)	3470.65		3473.80 3					1.83	17.69		
12 Extractive Industries(6)	4337.31		4356.22 44				3.70	2.52			e 1278
16 Oil, Integrated(3) 16 Oil Exploration & Prod(15)	3509.40 2497.66		3511,28 34 2492,96 24					1.72 1.58	17.78 37.47		
20 GEN INDUSTRIALS(275)	2046.94	_	2052.58 20	_	_		4.19	1.90	15.67	_	
21 Building & Construction(34)	1210.07		207.79 12				3.40	1.68	21.87		
22 Building Matts & Merche(29)	1896.23		907.80 19				4.03	1.77	17.53		
23 Chemicals(25)	2448.57		454,62 24				4.07	1.96	15.68		
24 Olversified Inclustrials(19)	1589.97		595.32 16				a 55	1.70	11.25		
25 Electronic & Bect Equip(37)	2358.27		363,10 29				3.14	1.97	23,75		1218
28 Engineering(71)	2461.09		469.52 24				. 3.24	. 2.49	15.49		
27 Engineering, Vehicles(13)	3039.00		030.32 30				3.51	1.96	18.21		
28 Paper, Pcky & Printing(28) 29 Textiles & Apparel(19)	2606.54 1387,57		807.40 26 395.69 14				3.83 5.10	1.98	16.07		
								1.53	16.00		
30 CONSUMER GOODS(81)	3535.90		544.74 95				3.96	1.88	1271		
32 Alcoholic Beverages(9) 33 Food Producers(23)	2679.36		687.85 27 612.20 20				4.67	1.62	16.56		
33 Food Producers(23) 34 Household Goods(15)	2521.70 2642.27		512.20 25 640.19 26				4.12 3.76	1.97° 2.16			1148
36 Hasith Caret20h	2134.61		134.28 21				2.53	1.84	15.45 26.88		
37 Pharmaceuticals(13)	5082.78		110.09 51				3.32	1.87	20.15		
38 Tobacco(1)	4256.62		273.66 43				5.97	2.12			1069.
40 SERVICES(256)	2539.88		548.81 25				281	2.01	22.15		
41 Distributora(32)	2928.74		319.49 28				2.82	1.78	24.31		1084
42 Leisure & Hotels(34)	3294.10		296.88 339				2.69	1.89			1775
43 Media(48)	4184.52		191.82 416				2.17	1.88	30.58		
44 Retailers, Food(15)	2034.98		39.94 204				3.73	2.31	14,52	48.47	1305.
45 Retailers, General(44)	2103.25	-0.4 21	12.08 211	4,52 212	9.94 16	41.86	2.97	2.18	19.48		
17 Breweries, Pubs & Rest.(24) 15 Support Services(48)	3197.33	-0.3 32	208.36 32	rt. 80 325	6.41 24	35.24	3.10	2.14	18.36		1541.6
IS Support Services(48) IS Transport(22)	2355.67		43.88 246 172.81 237				1.88	2.37	27.01		1554.9
			_	_			3.45	1.47	24.66		989,7
O UTILITIES(23) 22 Electricity(11)	2334.88 2568.82		46.69 235 84.00 257				5.46	1.98	11.59		
4 Gas Distribution(2)	1223.49		30.25 123				6.34 0.79	2.35 1.36	8.39 1 9.40 (
Felecommunications(8)	1965.05		95.37 200				4.05	1.78	17.21		904.0
B Water(12)	2150.95		57.44 215				6.15	2.34	8.70		1201.1
9 NON-FINANCIALS(POS)	1990.45		96.88 200				3.83	1.93		_	
										48.11	1018.5
70 FINANCIALS(105) 71 Benks, Retuil(8)	2848.78 3909.23		55.47 265 20.92 390				4.25	2,62	11.23 7		1235.3
72 Banka, Merchant(6)	3669.42		20.92 390 89;31 361				3.98 2.69	2.89	10.85 1 19.56 5		
3 Ingurance(23)	1448.50		53.73 145				5.83	3.12	6.87 4		1168.4 1098.1
74 Life Assummce(8)	3326.81	-0.4 33	40.75 334	9.91 3356	8.32 26	1.53	4.48	2.24	12.43 1		1394.6
77 Other Financial(21)	2663.97	-0.2 26	68.70 266	7.97 2966	5.06 201	25.30	3.9T	1.73	18.48 5		1527.3
2 Property(41)	1521.30	<u>-0.3 15</u>	26.26 152	8.11 1527	7.73 145	54.84	4.18	1.29	23.09 3		944.3
O INVESTMENT TRUSTS(129)	3161.13	+0.1 31	57.51 317	1.94 3172	2.19. <i>27</i> 6	38.02	. 2.22	1.09	61.83 3	9.96	1107.8
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SE MIC 250 4441.8 4442.		4440.5	4439,8			39.5	4497.1	4433.7		***	4453.3
SE-A 950 . 1886.6 1888.6		1881,9	1882.8			82.6	1881.2	1876.8			1878.4
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Additional information on t	he FT-SE Armerica Shon	e Indices is miblished	in Saturday leaves	s.		
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and are used by FT-SE into	emational Limited under	Scence. Auditor: The	WM Company." †	Sector P/E ratios presi	er than 80 and i	Dec
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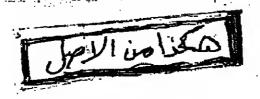
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NEW YORK STOCK EXCHANGE PRICES

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FINANCIAL TIMES TUESDAY JUNE 25 1996 Apro close June 24 NASDAQ NATIONAL MARKET | The property | The Die E 1986 High Law Last Chap ### Sec. | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 | 1986 Dep Sty x Devemo Oil Tech Digital 1.40 11 71 44% 44 44% + 14 0.20 17 34 5% 6% 6% | Devices | Devi | SS3 | 475 | 175 | 1.44 | 2.4 | 25 | 446 | 51 | 661 | 260 | 260 | 26 | 262 | 249 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | 251 | Labore 0.72120 53 1714 164 1878 +18 Lance hat 0.06 63 187 167 187 1858 6 0.24 19 21 31 28³4 30³4 +³2 25 53 14 13³8 13⁵8 ⁻³4 0.32 10 4 15³2 15³4 15³2 +³8 Libraria Libyanda Lincoln T x 0.60 10 172 1614 10 1814 +14 Lincoln to 0.20 16 42 3812 3812 3512 Lincoln 0.16 16 6101 3812 38 30 +14 Resorbised 24 332 18¹4 18¹8 10²8 +¹8 RPM Inc. 0.48 17 1907 15²9 15¹2 13³9 +¹8 Liquidus 0.44 14 46 31½ 30 30 -1½ Engia Fel 5 48 4¹2 4¹4 4¹4 1¹4 Enginemi 22 620 17¹8 6⁵8 6⁵8 1³4 127 18 1028 18 2009 23¹4 23¹2 23²8 2¹8 19 11¹8 11¹ Logues Go 0.10 31 1288 2912 2912 2912 21 6439 40% 40% 40% 21 247 11% 11 11 +4 241, 101, Walsh Ind
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Improving tech shares **boost Dow**

Wall Street

Technology companies staged a second session of gains in thin trading after the sharp weakness seen since the Nas-daq index set a record high of 1.249.15 on June 5, writes Lisa Bransten in New York.

In early afternoon trading, the Nasdaq composite, with about a 40 per cent technol issues content, was 8.96 ahead at 1,184.40 and the Pacific Stock Exchange technology index had gained 0.9 per cent. Internet-related companies, which had borne much of the market's recent weakness were among the strongest per-formers yesterday. Netscape Communications rose \$3%, or 6 per cent, to \$58%, Cybercash by \$3, or 7 per. cent, to \$48% and America Online by \$2%, or 5 per cent, to \$42.

Rising technology shares also boosted the Dow. IRM gained \$1% at \$99%, helping the blue chip index add 30.29 at 5,735.52 by 1 pm. The Standard & Poor's 500 rose 2.87 to 669.71 and the American Stock Exchange composite firmed 0.10 to 585.05. Volume on the NYSE was 187m shares.

Most technology stocks showed little reaction to an announcement made late on Friday by Cyrix, the semiconductor manufacturer, that its probably be larger than the expected \$15m. Shares of Cyrix slid \$5% or 24 per cent to \$16% and Intel, which is Cyrix's primary competitor, added \$2% or

4 per cent at \$74. Elsewhere, ValuJet railied \$1% or 15 per cent to \$8% on news reports that the company's chief executive expected

operations in 30 to 60 days. Valudet was grounded by the Pederal Aviation Administration on June 17 after a stepped-up inspection programme, mounted by the FAA

the wake of the airline's May 11 crash, found serious safety deficiencies. Morgan Stanley, the US investment bank, added \$1 at \$49%; it agreed to buy Van Kampen/American Capital, a mntual fund company, for \$745m. Nabisco rose \$1/4 to \$36 on a restructuring plan that would result in a \$338m decrease in 1996 net income

but cut costs over the longer

term. RJR Nabisco, which

owns about 80 per cent of Nabisco, was \$% stronger at \$33.

Toronto saw gains in financials and industrials but golds fell further after a drop of almost 2.4 per cent last Friday. The upshot was a TSE 300 composite index virtually unchanged at 5,048.72, up just 1.18, in turnover down from 54.4m shares to 25.45m after Friday's triple witching effect.

Dia Met Minerals put on C\$1.75 at C\$22.75 after an enviromental assessment panel's recommendation, last Friday, of a diamond mine proposal put forward jointly by the company and Australia's BHP. industrials, Bombardier rose 60 cents to C\$20.50 after it said that LIAT, a Caribbean regional airline, had agreed to purchase three 50-passenger de Havilland Dash 8 Series 300 aircraft for about C\$58.9m; and after its Bombardier Eurorall lary said it had won a Fl 110m (C\$88m) order from Rotterdamse Elektrische Tram

Brazil up further 2%

Latin American markets made a quiet start to the day, The closure of the Venezuela market helped to keep the mood subdued and trading during the early morning contained

Brazil was the most promiment performer, the SAO PAULO market building on Friday's gains. By lunchtime the Bovespa index was show-

mg an improvement of amoust
2 per cent.
In BUENOS AIRES, the Mer-
val index had notched up an
early gain of 0.7 per cent.
In contrast, MEXICO's stock
market stayed trendless. The
IPC index was lagging by 0.2
per cent after a dull morning
session. Telmex and Cemex,
both visibly weak on Friday,

stayed on the downside.

170,74 144,27 210,33 117,19 128,39 182,21 132,02 198,45 129,21 145,69

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	1 Week	4 Wante.	1 Year	Short of	Start of	Short of
Austria	-3.06	-2.70	+4.09	+13.98	+7.54	+6.69
Beigium	-2.30	-2.32	+16.66	+5.90	-0.14	-0.94
Denmark	+1.17	+0.41	+17.76	+10.54	+4.92	+4.08
Finland	-1.15	-2.66	-11.92	+10.28	+3.87	+3.04
France	-1.31	-1.69	+11.49	+13.85	+8,31	+7,A4
Germany	+0.02	+0.19	+15.87	+10.57	+4.34	+3.51
Ireland	-0.01	+2.32	+25,70	+14.52	+14,15	+13,24
haly	+2.18	-0.33	+3.58	+8.21	+13.48	+12.58
Netherlands	-0.42	-1.26	+26.68	+14.89	+8.37	+7.50
Norway	-0.71	+1.94	+14.28	+13.36	+10.45	+9.58
Spain	+0.22	+2.82	+32,17	+17.00	+11.33	+10,44
Swaden	+0.22	-0.14	+22.27	+14.92	+15.56	+14,84
Switzerland	+2.25	+2.84	+30.33	+10,99	+2.13	+1,31
UK	-0.81	-0.89	+10.40	+1,82	+1,62	+0.B1
EUROPE	-0.21	-0.30	+15.51	+8.35	+5.09	+4.25
Australia	+1.58	-0.56	+13.86	+0.90	+8.13	+7.27
Hong Kong	+0.08	-1.75	+17.96	+9.75	+10.50	+9.62
Japan	+0.56	+3.10	+39.64	+7.41	+2.47	+1.66
Malaysta	+2.37	+0.20	+5.02	+14,31	+17.20	+16.26
New Zealand	+0.91	+0.79	-0.51	-3.63	+0.63	-0.18
Singapore	+1.69	+0.15	+10.21	+3.61	+4.80	+3.96
Canada	+0.73	-3.16	+11.04	+7.90	+8.60	+7,73
USA	-0.03	-1.76	+22.01	+8.01	+8.88	+8.01
Mexico	-1.66	-6.06	+54.07	+14.06	+16.97	+16.04
South Africa	+0.60	+2.31	+23.78	+12.10	-5.61	-8.37
WORLD INDEX	+0.16	-0.21	+23.86	+8.02	+6.34	+5.49

Paris stages retail rally on Docks de France bid

Docks De France by the privately owned stores group Anchan allowed PARIS to stage a rally in the retail

Docks De France was suspended for the day after closing at FFr1,090 on Friday; but Casino, also seen as a take over target, rose FF18.60, or 4.2 per cent, to FFr211.60, Promodes put on FFr22 at FFr1,410 and Pinault Printemps Redoute gained FFr33 at FFr1,696.

The CAC-40 index rose 13.45 too, in banks, and for more than one reason: Morgan Stan-ley was bullish on the sector last week and, yesterday, BNP rejected an SBC Warburg offer for its 83.9 per cent stake in Cie d'Investissement de Paris. BNP climbed FFr8.30, or 4.6

per cent, to FFr188.30, Bancaire FFr11 to FFr584 and CCF FFr3.10 to FFr238.30.

Elsewhere, Canal Plus rose another FFr36, or 2.8 per cent, to FFr1,302 after last week's CS First Boston buy recommenda-tion, and Michelin ended FFr4.50 higher at FFr254.10 on weekend talk that the time was FRANKFURT had the dollar

aproaching for a revival in onds and the Dow on its side. was relatively subdued. It

THE ENTOPEAN SERVER Does 10.30 11.00 12.00 13.00 14.00 15.00 Close 1890.53 1891.00 1891.84 1690.76 1690.20 1000.87 1722.34 1723.74 1724.02 1722.64 1722.56 1722.72 FT-SE Europeack 100 1690.22 1690.55 1690.53 1691.00 1691.84 Jun 20 1685,41 1726,18

closed 14.41, or 0.6 per cent, higher at an Ibis-indicated 2,562.9 in turnover of DM8.4bn. in contrast, the MDAX, cov ering the 70 stocks immediately below the 30 in the Dax 100 list stayed relatively ebullient with a rise of 42.90, or 1.5 per cent, to 2,835.90, taking its gain to around 11 per cent over the past two months Mr Ralf Conen at Salomon

Brothers in Frankfurt said that medium caps, until recently, had substantially underperformed the Dax 30 throughout the 1990s, but especially since the autumn of last year. Now, however, there were a number of global niche players in the Dex with high export

ratios and good market posi-tions, he said. If one were to leave out the "torpedo" stocks, which had dived almost to oblivion, and perhaps construction and insurance shares, a

the Dax 30 for the time being. MADRID broke new high ground, with the general index. up 1.76 at 373.84. Banks and electricity utilities rose at roughly the same rate, departing from last week's trend which saw some switching into

privatised further until the sector is deregulated.
MILAN shares closed sharply lower, pushed down by a high number of stocks going ex-divi-dend and the absence of an interest rate cut over the week-

end. The Count index ended off

the former. In the latter, End-

esa rose Pta90 to Pta8,130 after

the industry minister Mr Josep Pique said that it would not be

2.20 at 157.44 Analysis suggested that the next possible occasion for an interest rate cut would be early July, when the June inflation data are due to be published. A 0.5 percentage point reduction had been widely expected over But Milan was also held in check by technical reasons with 33 shares going ex-divi-dend. They included ENI,

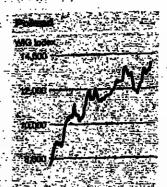
The bio-medical group Esaote made a sparkling stock market debut, surging to L5,945 against a flotation price of L3.900

ZURICH continued to move ahead as investors piled into the drugs sector shead of next

month's formal completion of the merger of Ciha and Sandoz. The SMI index ended 14.2 higher at 3,701.5 to extend its run of mainterrunted gain 10 days. Sandox added SF181 at SFr1.441 and Ciba improved SF127 to SF11.532. The two groups account for more than a fifth of the SMI index.

But a UBS analyst said both stocks were beginning to look vervalued and could be heading for a near-term correction. Bank and insurance shares turned higher on positive broker recommandations. CS Holding rose SFr1.25 to SFr115. AMSTERDAM shares closed alightly higher, with a firm opening on Wall Street offsetting another bad day for the electronics giant Philips. The AEX index finished 0.38 points

un at 554.49. Philips, the day's most active stock, eased further on worries by 1.5 percentage points to 17 about the semiconductor marper cent against an expected



sentation to analysts. It clo down Fi 140 at Fl 54.20 after touching another new low of FI 53 40

"It's still the same old semiconductor worries. Some analysts have been considering downgrading their earnings forecasts," said one trader. The foods group Ahold rose F11.50 to F192.90. The uptick followed a forecast of average earnings per share growth of 15 per cent from 1997 on the k of the group's planned Stop & Shop acquisition.
TEL AVIV fell after the Bank

of Israel raised interest rates

rise of 0.5 or 1.0. The Mish tanim index shed 1.39 to 201.71 WARSAW hit its highest level since April 1994. The Wit index rose 85.8, or 2.9 per cent to 13,483.6, with turnover up Z per cent at 128.1m zlotys. The market was lifted by strong bank results for May

BPH and WBK had particu larly good figures and rose by 5.6 per cent and 3.7 per cen respectively in active trade. STOCKHOLM had a quie day but Astra, the pharmacen ticals major, led the marke into a repectable rise, the

Affärsvärlden General inder closing 8.0 better at 1,992. in below average turnover o Astra recovered after recen .

falls, up SKr2.50 at SKr289.50. LISBON was driven to a new all-time high by a very fer blue chips. Portugal Telecor itself peaked Esc65 higher a Rec3 890 on a strengthening dollar, and the stock's gains is New York on Friday; Sonac put on Esc105 at Esc4,089 afte a buy recommendation from Banco Portugues de Investimento, which said that the stock was currently some 2 per cent below net asset value. The BVL 30 index moved for ward 6.17 to 1,939.31.

Written and edited by William

Four-year highs in Tokyo after Nikkei breakthrough

Tokyo

Equities registered another four-year high, with traders saying that a Nikkei break-through last Friday had contributed to the positive sentiment, writes Kmiko Terazona

in Toleyo.
The 225 index rose 72.55 to 22,603.20, midway between a day's low of 22,503.92 and a high of 22,701.57. By last Friday it had recovered one-third of the ground lost between December 1989, when it hit an all-time high of 38,915, and August 1992, when it bottomed

Volume totalled 453m shares,

against 514m. The Topix index of all first section stocks climbed 9.31 to a four-year peak of 1,718.91 and the Nikkei 300 added 1.97 at 319.82. Advances led declines by 587 to 446, with 188 issues unchanged. In London the ISE/Nikkei 50 index put on 1.90 at 1.528.89. US pension funds and other foreign investors bought large capitalisation steels and export blue chips, including car-makers. One analyst noted that

relatively more stringent disclosure procedures. Houda Motor rose Y60 to a record Y2,940, Toyota Y80 to Y2,780 and Nissan Y30 to Y998. In the big steels, Nippon Steel moved up Y4 to Y378 and NKK by Y4 to Y333. Shipbuilders were also higher. Mitsubishi Heavy Industries adding Y14 at Y955 and Ishikawajima-Harima

York Stock Exchange seemed to be seeing demand due to the

Heavy Y6 at Y528. Samitomo Corporation, the

thorised copper trading by one of its former traders, was weak on fears there could be worse news to come. The shares shed Y20 to Y1,000 on worries that its losses would be more than double the given figure.

Mining issues were affected by declines in copper prices, with Sumitomo Metal Mining falling Y13 to Y952.

Banks were higher, Hok-

kaido Takushoku Bank, the most active issue of the day, rose Y14 to Y359 and Industrial Bank of Japan by Y40 to Y2,740. Brokers were firmer, Nomura Securitles appreciating Y50 to Y2,170 and Nikko ecurities also by Y50, to

High-technology stocks were mixed. Hitachi put on Y10 at Y1,040 and Sony Y50 at Y7,150 but Fujitsu fell Y9 to Y991 and NEC was unchanged at Y1190. In Osaka, the OSE average gained 115.23 at 23,742.14 in volume of 27.6m shares.

The roller coaster took a downward plunge in SHENZHEN, or 5.5 per cent, to 84.01 on continued worries that the authorities enforce regulations limiting the hard-currency market to

"A crackdown on buying by mainland Chinese could be imminent," said one Hong Kong analyst. The uncertainty was reflected in sharply lower activity. Turnover, at HK\$54m.

Roundup

HONG KONG closed higher as futures-linked arbitrage

Golds put in minor recovery

Johannesburg traded quietly in a session which dealers described as mixed. Industrial which moved steeply lower on

195.17 181.84 199.74 168.18 154.32 268.50 185.83 163.10 410.39 278.86 80.26 151.64 540.89 140.40 262.54 405.95 174.34 345.14 229.24 159.64 224.05 224.05 225.64

236.83 201.65 234.27 163.72 179.42 252.75 184.42 276.87 180.54 202.81

246.25 209.87 305.96 170.23 186.56 262.60 191.76 287.88 187.72 210.88

160.47 299.88 193.29 162.86 169.87 269.95 83.46 157.86 562.40 1227.376 79.50 254.14 422.10 360.35 161.29 355.67 233.36 162.99 234.36 165.99 246.55

109.79 205.24 132.20 131.98 118.03 297.96 196.38 57.10 107.88 364.80 639.74 246.35 124.03 246.55 124.03 113.57 159.39 113.57

168.49 143.46 209.35 118.47 127.64 179.81 131.20 196.97 128,44 144.28

195.16 165.17 242.49 134.91 147.85 208.27 151.97 226.15 148.77 167.12 193.07

foreign investor interest. "Tomorrow's local elections in KwaZulu-Natal look to be one trader. The all-share index finished 3.8 firmer at 6,859.1. The industrials index receded 6.5 to 8,109.7, but the golds index put on 8.8 at 1,782.2.

Good demand for property developers and Hongkong Telecom was said to have been the main driving force. HK Tele-com rose 30 cents to HK\$13.70. A number of leading brokers ere said to have accumulated the stock heavily in late trade.

stocks. The Hang Seng index ended just off its session best,

gaining 104.43 at 10,959.72

SEOUL closed sharply lower. after gloomy economic fore-casts had weakened sentiment among leading stocks. The composite index ended 13.83 off

Korean Air Lines went limit down, bottoming at Won18,300 before closing Won800 off at Won18,600. The shares were hit by rumours that a major share-

BANGKOK dropped nearly a percentage point. The SET index closed 11.97 down at a seven-month low of 1,223.40. Investors remained concerned over the political situation. fearing a challenge to the lead-ership of the prime minister.

rn Silpa-Archa, by some

of his coalition partners. There were worries, too, that most key sectors would be poor. Communications, building materials and financials bore the brunt of the selling.

JAKARTA recovered after Friday's political protest losses, the composite index closing 5.923 better at 578.773. People are buying blue

chips again because they look

ing rebound," said a dealer. It is just a technical rebound at the moment. There is a fair amount of caution fund, was a beavy buyer. around, both on the buying and selling side," said an insti-tutional sales manager. TAIPEI traders said that domestic plastics and textiles

with foreign buyers of chemi cal fibre transferring part of their orders to Taiwan The weighted index closed 29.90 ahead at 6.431.25 after a high of 6,469.96.

shares had benefited from

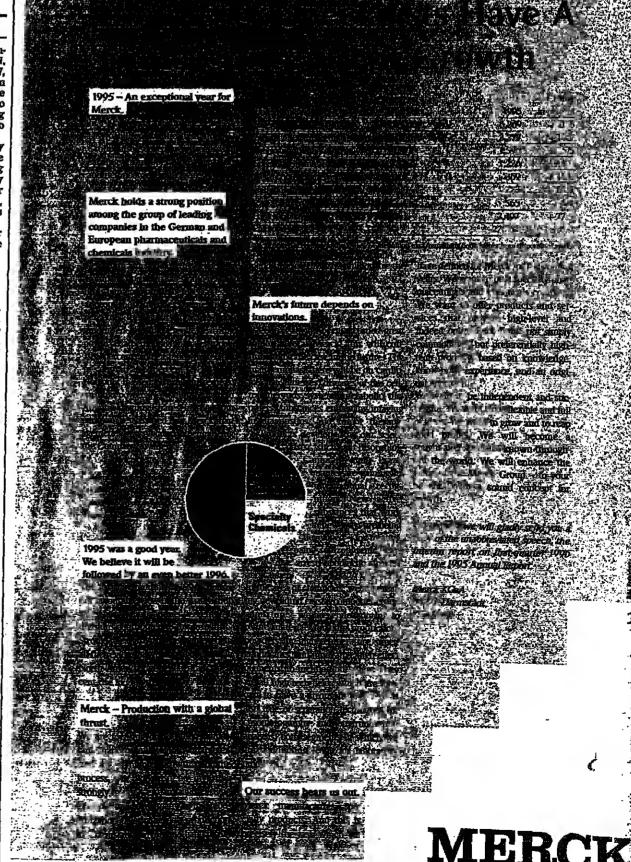
labour unrest in South Korea

Plastics shares also reflected increasing orders from China. Formosa Plastics advanced T\$3 to T\$60 and Nan Ya Plastics

T\$2 to T\$55.50.

said that one broking house believed to be acting for The KLSE composite inde. moved forward 4.62 to 1,1510 Transport-related stocks le activity amid takeove Logistics up M\$1 at M\$6.95 and Tiong Nam Transport ahea... M\$3.20 at M\$14.10.

MANULA's investors onl nibbled at blue chips, focusing on second and third line stock as the composite index ros 14.88 to 3,227.16. Brokers sai that professionals were waiting for the listing of the Empir. East IPO, and that they would rather speculate on stocks a



355.61 \$39.37 145.15 296.46 191.34 146.74 210.29

200,66 174,94 219,32

■ Foreign investment: by Manuela Saragosa

Car makers get the jitters

car have shaken confidence in Indonesia's support for free trade

When Indonesia announced it would develop a national car – leaving established investors in the country's automotive sector st a disadvantage alarmists warned it would mark the end of two years of record foreign investment lev-

Japanese trade officials, representing Japan's dominant role in Indonesia's antomotive sector, arrived in the country to complain that the policy breached tenets of the World Trade Organisation. Sir Leon Brittan, the European Union's trade commissioner, in Jakarta in April asked: "Who's to say that if this is done in the car sector it could not be done in other sectors?"

But Sanyoto Sastrowardoyo the country's investment minister, tells a different story. Touting record foreign investment approval figures for the first five months of this year, he says confidently: "We have lost nothing. Nothing at all."

Indonesia approved foreign investment projects worth \$18.3bn in the first five months of this year compared with \$16.2bn in the same period a year earlier. Japanese investment approvals accounted for 26 per cent of the five-month figure. If things continue in this vein, this year's total approvals figure will exceed 1995's record \$39.9bn.

breakh

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100 - 100 -

But Indonesia cannot afford to be nonchalant in its attitude to outside capital inflows which are needed to finance the bulk of its non-oil trade and current account deficits.

Critics of the car policy under which a company owned hy President Suharto's youngest son was awarded tax and tariff breaks not available to existing automotive companies to manufacture what is being touted as a national car in co-operation with South Korea's Kia Motors - say it flies in the face of Indonesia's commitments to free trade

The project threatens to violate a World Trade Organisation article which stipulates that imports cannot be treated differently from locally-made

Plans for a national Foreign investment approvals by sector Hotels and restaurants 2.5%

inclustries 22%

Foreign investment approvals by country of origin Kuwait 8,5% Hong Kong 5.3% ~ Malaysia 6,2% -Singapore 7.1% -Australia 17.6% Others 3.8%

to a car's local content - initially aimed at placating international criticism of the project but with no immediate benefit to existing investors is believed to breach a WTO "standstill" agreement under which Indonesia vowed not to add new rules to the tariff and tax structure for its antomotive industry.

Mr Sanyoto says the government has prepared its case should the issue be taken to the WTO. "Japanese husinesses are noisy about it, they make a lot of fuss. But that's because . . . they have mada big money out of the automotive industry and all of a sudden they have to share it with others," he says.

One point of resentment is that Japanese investors in the country's automotive industry produce cars only for the mestic market. "They would not allow us to export." Mr Sanyoto says. "So we are in a position to be dominated by

"infant industries need protec-

international commitments. Mr Suharto himself pushed for an early free trade schedule under the Asia Pacific Economic Co-operation forum, committing Indonesia to liberalise trade in the region by the year 2020, And under the Association of Southeast Asian Nations Free Trade Agreement (Afta), Indonesia has pledged to reduce tariffs to a maximum

of 5 per cent by the year 2003. The government believes Indonesia has already made significant headway in liberalising its economy and securing its comparative advantage. Mr Sanyoto cites political stability over the past 30 years, a wealth of natural resources, a large population and workforce and the absence of controls over capital flows as examples.

Deepak Sahharwal, president director of ICI in Indonesia, says the biggest boost came from the 1994 deregulation package abolishing divestment requirements, under which foreign companies were obliged to Mr Sanyoto argues that hand over majority shareholding to an Indonesian partner in the tax treatment according tion". But indonesia also has after 10-15 years of operating in husiness climate," be says.

Following the 1994 deregulation package, ICI invested \$10m in a surfactants plant and

\$24m In an expansion of its paints manufacturing unit. The company is considering further expansion of its pres-ence in Indonesia.

The car policy has taken the focus away from other concerns. For example, the minimum wage was increased by about 30 per cent this year after doubling in real terms between 1989 and 1994. Wage increases have begun to reduce competitiveness in Isbour-intensive manufacturing," the World Bank noted in Its annual report on Indonesia.

Tax collection is another concern. "There is a lot of pressure on tax officials to meet the budget on tax collection and foreign companies are an easy target" says one investor. According to a Japan External Trade Organisation survey of Japenese manufacturers investing in Indonesia, the top four problems encountered included tariff customs procedures, wage increases, tax and bureaucracy.

Some investors are also starting to demand more competitive terms in line with neighbouring countries. Malaysia, for example, is offering investors 10-year tax holidays depending on where they invest in the country. "We are working on bow we could give additional tax facilities," says Mr Sanyoto.

The government has already extended a facility waiving value added tax and luxury tax payments on imports of capital goods for the first three years of new investments.

The issue becomes pressing in light of the country's tariff reduction requirements under Afta which is likely to affect investors' decisions on regional sourcing of raw materials and products. ICI's Mr Sabharwal, although bullish about Indonesia's potential, expresses concern that under the conditions that would prevail in 2003 under Afta, large ICI investments may be drawn to other Asean countries by better

The risk is that comfortable levels of investments will allow for complacency: what some economists refer to as Indonesla's irregular bouts of "deregulation fatigue". Mr Sanyoto dismisses this. "Our government is committed to improve the

Foreign policy: by Manuela Saragosa

Ready for a showdown

Continued trouble in East Timor will not hamper global ambitions, insists the foreign minister

Despite Indonesia's sprawling size and a population which ranks as the world's fourth largest, many still regard the country an inward-looking nation with little international political weight. But this is a ing which Ali Alatas, Indones-ia's energetic foreign minister, does not subscribe to.

"There was a period from 1968 until the beginning of the 1980s when indeed almost all our attention was directed towards economic, and social rehabilitation of the country. says Mr Alatas. "Now, on the contrary, we are being over-extended. I don't think ithe description) applies any

Since his appointment as foreign minister in 1988, Mr Alatas has been widely credited with steering Indonesian foreign policy away from the dominance of the security-oriented military and creating n bigger, more pro-active role for the foreign ministry. Under Mr Alatas, Indon

has become n member of the United Nations Security Council, has spearhended calls for a nuclear-free zone in the Pacific, headed the Non-Aligned Movement (NAM) for three years until January this year, played a pivotal role in the Cambodian peace talks. bosted South China Sea work-shops to facilitate a solution to overlapping claims on the Spratly Islands and assumed a higher profile in regional

trade agreements. Nevertheless, the politically disputed territory of East Timor remains one of the most serious obstacles to Indones. ia's International ambitions; wherever he goes. Mr Alatas is confronted with the issue. Tha former Portuguese colony was invaded by the Indonesian military in 1975 and annexed a year later, in a move condemned by the United Nations which still recognises Portugal as the administering power over the territory.

International human rights organisations regularly accuse Indonesia of violating human



Ali Alatas: 'The cornerstone of our foreign policy will remain Asear

tion's membership to include Burma, Cambodia and Laos.

region likely to be incorpo-

rated into Asean before impte-

mentation of the Ascon Free

Trade Area (Afta), the group-

ing would become the targest

free trade zone in the world.

totalling more than 450m peo-

Despite protests by dissident

groups in Burma and Cam-

bodia - both increasingly

politically unstable - Indon-

esia was among the Asean

members advocating that

internal political questions be

ignored when considering

"For a few years now, when-

ever Asean met with its dia-

logne partners we have bad

discussions on bow to

approach Myanmar [Burma],"

says Mr Alatas. "Major

[Asean] dialogue partners tend

to want to apply sanctions or

isolate it until it falls into line.

We believe in Asean that such

an approach will be counter-

productive. We know Myan-

mar. They are part of our

world. To now denounce

Myanmar will not work. What

will work is to quietly sit

down with them and talk with

Cynics note that there are

other interests at stake. The

addition of Burma, Cambodia

and Laos in Asean will expand

the organisation to include all

them."

entrance for new members.

With all 10 countries of the

rights in the territory where local dissidence often erupts into bloody conflict.

Mr Alatas plays down the East Timor's impact on Indon-esia's foreign policy. "It is a stone in my shoe rather than a big abscess as some people describe it. Sometimes it makes walking a blt difficult. If East Timor really has been such a dead weight could we have become n member of the UN Security Council and beaded the NAM?"

Observers say the fact that Indonesia has been able to pursue a more active role in the international arena despite e dubious record on buman rights is largely the result of the country's economic development and the growing political importance of the region which groups some of the world's fastest growing econo-

The Association of Southeast Asian Nations (Asean), which groups Indonesia, Malaysia, Singapore, Vietnam, Brunel, Thailand and the Philippines, has pushed its own free trade agenda and agreed to lower tariffs to a maximum of 5 per cent by 2003. "The cornerstone of our foreign policy will remain Asean. It is our neighbourhood," says Mr Alatas,

More recently, leaders of the seven Asean member states unanimously endorsed the expansion of the organisanations, some of which have overlapping territorial claims with China in the South Chine Sea, consider China their most immediate security threat.

countries along China's

southern border. Most Asean

Until recently, conflicting claims over the Spratly Islands in the South China Sea threatened to embroil indonesia which had been hosting worksbops between claimant partles to deflect tensions. Chlnese maps started to show a dotted line which extended to near Indonesta's Natuna islands, the location of a giant gas field development between the US's Exxon and Judonesia's state-owned oit and gos company, Pertamina.

Mr Alatas says China bas responded orally to a diplomatic note be sent to Belling on the matter and that he is satisfied with the response. We got an assurance that if there ever was going to be a difference of opinion with regard to the seas between Natuna and the Spratly Islands, China would be prepared to negotiate such issues peacefully and on the basis of the International Law of the Sea Convention," Mr Alatas

"I welcomed that ststement because we are confident that, based on the articles of the convention, there is no way that China's [claims] could extend so far south."

It is a sign of Indonesia's awareness of the south-east Asian region's growing political weight that Mr Aintas is confident Indonesia would win a vote in the UN General Assembly if the issue of East Timor were brought there. Backing it would be members of Asean and NAM where Indonesia bas been actively pushing for a solution with the World Bank and International Monetary Fund to the debt problems faced by 50 of the world's least developed countries.

"We're ready for a showdown [in the UN General Assembly] any time," he says. We have the numbers and they [Portugal] know that, But we want a solution which is more or less durable and where no one feels a loser. East Timor is not going to pull Indonesia down in its activities in the world."

■ Telecommunications: by Manuela Saragosa

Upwardly mobile

Growing foreign interest is an indication of the market's perceived potential

In Indonesia, mobile phones are becoming as common as the ubiquitous satellite dishes which dot the countryside in even the more remote regions of Sumatra and Kalimantan. Rising average incomes and

a corresponding thirst for communication prompted the government to open up the telecommunications sector to foreign investment two years ago to speed up and finance its

The high level of foreign interest for what at present amounts to a tiny market ~ early this year there were only about 1.7 lines per 100 inhabitants and an estimated 200,000 subscribers to mobile phone networks - is a sign of the market's perceived potential. The overhaul of Indonesia's

telecoms sector has seen two state-controlled companies -Telkom, the domestic carrier, and Indosat, the international carrier - list overseas in the past year while foreign investors have invested in expanding local line networks, cellular operations and satellite

links. The jury is still out on whether prices paid hy foreign investors to secure a slice of the market are justified, particulariy in e country where regulatory risks are part of the gamble. "How can something that has nothing today ba worth so much?" asks one Singapore-based analyst.

In addition, a law giving Telkom the right to own a stake in all companies offering telecoms services and Indosat n minority stake in its direct competitor, Satelindo, will, say analysts, create conflicts of interest us competition betweau Indonesia's various telecoms services providers

But there is little doubt surrounding the sector's perceived potential. In a report on Telkom earlier this year, Metrill Lynch estimates Indonesia's

mobile phone penetration "could conceivably be 10 times current levels even at current levels of economic wealth", but that growth "bas been restrained by abnormally high entry barriers".

The government predicts there will be a million subscribers in the Indonesian cel-Iular market by 2000 and that operators of the Global System for Mobile (GSM) network - a digital network with international roaming capability will account for two thirds of

In February this year, PTT Nederland paid \$304m in cash for a 17.3 per cent stake in Telkomsel, an Indonesian GSM operator which is partly owned by Telkom and Indosat, the state-controlled domestic and international carriers respectivaly. Indosat estimates the number of subscribers at Telkomsel, which launched its services in Jakarta in May this year, will rise to 120,000 nationally at the end of 1996 compared with 55,000 now.

The Telkomsel deal completed a \$1bn triangle linking foreign operators to an Indonesian GSM operator. Last year, Deutsche Telekom's unit DeTe-Mobil paid \$586m for a 25 per cent stake in Satelindo, which is partly owned by President Suharto's youngest son Bam-

bang Trihatmodio. That deal was followed by Nynex of the US joining Japan's Mitsui and the Asian Infrastructure Fund to buy a 22 per cent stake for \$250m in another GSM operator called Excelcomindo.

Highlighting some of the regulatory risks faced by investors, the Nynex stake caused some consternation because the government had initially stated that only two companies Satelindo and Telkomsel would be given GSM licences.

Outside the GSM operators. there are three AMPS 900 analogue - regional mobile phone operators and Mobisel. also an analogue network operator, which was awarded e

nationwide licence. So far the government has indicated that no capacity is left for additional GSM operators although it is investiga-



ting introducing further cellular operators on PCN/PCS digital high frequency - services. But uncertainty remains because "the government has given no indication as to the number of potential licences it may in future award or their coverage". Merrill Lynch's report on Telkom noted.

Indosat is selling 2.5 per cent of its minority stake in Telkomsel from which it expects to raise between \$40m and \$50m to prepare financing for new PCN/PCS cellular ventures. The company, like Telkom, is working on being included in a pilot project for such a system in east Java.

The introduction of foreign investment in expanding fixed lines has also been an important development in the past year. Ahead of Telkom's privatisation last November, Indonesia introduced a completely novel way of doing this.

So-called joint-operating schemes were set up, giving five consortia, each of which includes at least one international telecoms company, the task of installing and managing 2m additional lines for the next 15 years in five different regions of the country in revenue-sharing arrangements with Talkom.

Under the scheme, Telkom alleviated the burden of financing the installation of new lines. Financial benefits included an initial payment and is likely to be conservative from each international consortium operating a regional franchise and mouthly guarantesd payments throughout the

15-year period. Telephone tar three years and are due for renewal later this year but there is no explicit regime on the issue.

Competition between mobile phone operators is limited because tariffs are reguleted by the government but market participants are finding alternative ways of competing.

"Right now there's only one pricing plan for air time but we see that in the future there will be much more need for flexibility." says Carlson Smith, exec utive adviser to Mobisel. In the meantime, "you can tailor your packages differently to target different market segments like a different up front cost or security deoosits or do some financing depending on customers' ability to pay".

But like all Indonesia's mobile phone operators, Mobisel is partly owned by Telkom which along with indosat is the industry's designated "service co-ordinator". Who's to say that Telkom

may not at some point be favourably inclined towards a mohile phone operator in which it has the largest stake?" asks a Singapore-based analyst. Others brush off these con-

cerns. "Because the expansion of private sector investment has been so rapid, the government is on a learning curve in its application of regulatory changes," says James Spence, head of research at WI Carr



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■ Power: by Manuela Saragosa and Robert Corzine

Growing demand whets appetites

Private projects have flooded in but distribution must be improved if they are to pay off

Ever since Indonesia kicked off its privatisation program for power generation 1990, solicited and unsolicited private power projects have poured into the country.

Iodonesia is estimated to need about \$11.5bn in private investment for power sector expansion over the next 10 years and investors' appetites have been whetted by the rapid growth in energy demand.

industrial demand has been growing at about 25 per cent per year and with a population more than 190m people and low per capita consumption of 380kWb per year, rapid continue well into the future.

Brown-outs in most urban centres bave become a thing of the past. But industry executives warn that unless PLN, the state electricity company, works rapidly over the next few years to improve its transmission and distribution system, the time and energy being devoted to getting private power projects off the ground could prove futile.

Part of the problem is the way in which the privatisation programme has proceeded. Industry analysts say many of the private power projects which have been finalised are not necessarily the most efficient or cost-effective, raising

questions about PLN's ability to fulfil its obligations to buy electricity from private power

plants. The closest private power projects come to a government quarantee of PLN's obligations is a so-called "soft comfort" letter from the ministry of finance which states that PLN. as a public utility, is supposed to buy electricity from private

In addition, the system of awarding contracts for projects is not transparent and there are burdles to finalising contracts which are difficult to overcome without a politically well-connected local joint-venture partner.

"Project-by project implementation involving powerful, politically well-connected business groups, without clearly defined objectives and plans. maka national consensus on the appropriateness of private power and privatisation difficult, if not impossible," says Peter Jessick, a former private power adviser to the govern-

Palton I, the \$2.5bn coal-fired 1,230MW project awarded to a Mission Energy-led consortium of Mitsui & Co, GE Power Funding and Batu Hitam Perkasa, in which the prominent businessman Hashim Djojohadikusomo bas a stake, was indonesia's first private power

"experiment". Negotiations to finalise its financing and conclude a power purchase agreement (PPA) with PLN dragged on for two and a half years. Paiton I set out that PLN must buy at least 83 per cent of the plant's capacity whatever the demand for electricity - termed a takeor pay clause - at a PPA rate of \$0.0856 for the first six years. coming down eventually to \$0.0554. Government officials admit this is expensive but say that it was a necessary part of the learning experience.

The project was to have set a benchmark for the industry. PLN has been successful in bringing prices down in PPAs agreed since, partly because competition for projects has heen intense

Nevertheless, there is concern that once Paiton I comes on line in 1998/9 and other projects follow soon after, PLN will face transmission bottle-

Unless investments are made to resolve these bottlenecks and if demand growth is less than expected, the take-or-pay contracts PLN has signed with private power projects will force the cash-strapped organisation to buy power from private plants while reducing generation at its lower cost hydro-electric and coal-fired

PLN is currently separating generation from distribution with the aim of publicly listing its power generation subsidiaries in the next two years.

But critics say that, as the power sector is partially priva-tised, PLN must become a commercially viable operation. Yet as long as electricity tariffs are set by the president, this is not possible. At present tariffs are uniform throughout indonesia and do not reflect the cost of

In the meantime, negotiawithin 10 years.

The most high-profila of the

combined cycle projects imder negotiation are Enron's 400MW

plant in east Java and the Brit-

ish Gas 500MW Serpong plant

The difficulty in getting a

combined-cycle project off the

ground is that in order to

ohtain financing, someone must guarantee the gas supply

for the life of the power plant.

risk." says one industry execu-

tive. "The independent power

project operator tries to push It

on to the fuel supplier but Per-

tamina, which works with the

production-sharing contractor

to develop the gas field, doesn't

and PLN is not prepared to

guarantee any energy off

Indonesia had a gas pipeline grid with a number of different

fields ensuring a constant flow

per cent of total domestic

energy consumption. Perusa-

haan Gas Negara (PGN), the

state-owned national gas com-

pany, has amhitious plans to

Natural gas provides just 2

"No-one wants to take that

in west Java.

tions continue for the setting It also intends to restructure up of gas-fired, combined-cycle its operations to encourage power projects. Most of the priwider gas use and to allow private power projects signed to vate companies into the gas market. Separate transmission date have been for coal-fired plants, partly because the govand distribution arms will ernment wants oil and gas oversee the movement of gas, while a new PGN subsidiary, exports to earn the country for-PT Co-Generation, will proeign exchange but also because the issue of risk allocation for mote gas use in small-scale power plants, such as those for gas-fired power plants has stalled negotiations. high-rise buildings.

PGN has also announced plans for two large pipeline projects that would help form basis for a domestic gas grid. The first would he an 800km, \$600m pipeline to carry gas from the Asamera field to the Duri oil field in Sumatra

and on to Batam island. It will be followed by construction of a second pipeline to take Asamera gas to Palembang in southern Sumatra and Cilegon in west Java.

But many industry executives doubt whether a comprebensive domestic pipeline network will ever be put in place. "A domestic gas grid is a dream," says one US executive

m Jakarta. want to take the risk either He says that in a tropical climate, demand for gas from households would be limited to Matters would be different if cooking, not justifying the expense of installing a distribution system even in densely populated areas such as Java. There is also uncertainty as

to whether there are sufficient reserves near Java and Sumatra to support a gas grid for

In addition, producers say the government is providing



erating concern: industry analysts say many private projects are not necessarily the most efficient. Pau Force

no incentive to explore for more gas near Java, given the uncertainty over what price they will be paid.

Pertamina, as guardian of the country's oll and gas resources, stands between producers and potential gas consumers and sets the price those customers will pay. "There is

no free access between producer and consumer," complains one foreign oil company which has seen its gas sales plans fall through.

There are also uncertaintles about how much it would cost to build a domestic gas grid. "Gas needs a champion in government," says one producer.

He adds that that plans to expand gas usage bave also ran into opposition from existing importers of diesel fuel. Diesel costs around \$4 per million BTU ... gas could be laid for around \$3 per million BTU. But diesel importers get a \$1 mark-up, and they are politically well-connected."

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April 19

ncertainty hangs over Natuna

Questions over the gas industry's structure have eclipsed oil sector developments

The future of Natuna, the proposed multi-billion dollar' natural gas project in the South China Sea, is still the main topic of conversation among government energy officials in the Indonesian oil industry.

ped bydrocarbon resource in south-east Asia, and Its development would be one of the biggest single energy projects ever undertaken. But much of Natura's gas consists of carbon dioxide that must be separated from the valuable methane and re-injected back into the ground. Critics say that will make gas from Natuna uncompetitive with other liquified natural gas projects aimed at the Asian market.

The big problem, say oil equipment contractors, is that heavy machinery normally be located on land must be

installed offsbore and added weight on offsbore platforms means higher costs.

But Indonesian officials and executives from Exxon, the largest US oil company and the main partner of Pertamina, Indonesia's state oil group, say they are confident cost-cutting efforts will succeed in making the project competitive.

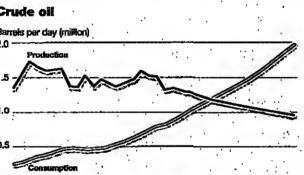
charge LNG buyers a "premium" for Natuna gas is outdated, say project managers.

'premium' for three years," says one. "Natuma's costs must be internationally competitive if the project is to work."

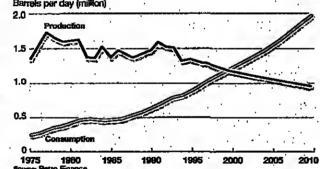
The notion of having to

The focus of the managers has shifted in recent months from defining the initial phase of the development to project execution. That means more detailed discussions with the contractors that will bear much of the burden for ensur-

Promoters say the project is gaining momentum even We baven't used the word though no buyers have yet



Barrels per day (million)





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come forward. A contract for a conceptual engineering study will soon be awarded, "with or without any buyers lined up to take Natuna gas", says G.A.S. Nayoan, the Pertamina executive in charge of the project.

He says Natuna managers bave been encouraged by examples of successful cost reduction strategies in the UK and elsewhere. Project officials recently visited a number of ing that costs are contained. Britisb offshore fabrication and oil service companies to learn more about alliance contracts. under which contractors receive financial incentives to

make cost savings. Increasing attention is also being paid to ways to lower operating costs as well as capltal costs, in order to lower the important "life of field costs".

But many observers still believe the Indonesian government will have to make substantial financial sacrifices to ensure that the project goes ahaad, "Higher cost energy projects have succeeded if the government involved accepts a lower take," says one executive close to the project.

Mr Nayoan says the Jakarta government does require a financial return from Natuna. "The intention is that Natuna will make money for the government," be says. "But at what time? It may not be at the front end of the project."

Certainly some in the Indonesian government see the development of the gas field and nearby Natura island as a geopolitical, rather than financial priority. The tsland juts into the South China Sea, scene of series of confrontstions in recent years between China and a number of other Asean governments. Some officials even raise the spectre of a resurgent Japan as justification for Natuna's urgent development. They see an eventual lifting of Tokyo's constitutional ban on the use of military forces operating outside of Japan as a further reason to bolster indonesia's presence in the South China Sea.

Another, non-financial argument used by promoters of the project is that it will lead to a large-scale transfer of technology to indonesia

But the big uncertainty

about Natuna is whether demand for its gas will materialise in the early part of the next decade. The question industry executives are asking is wbether Japanese demand will be sufficient to justify a 2002-2003 start-up date for Natuna, or whether it will be pushed back towards the end of the next decade. Similar uncertainty surroimds demand from power generators in Thailand, another potential market which could be linked to Natura by pipeline. "I have no doubt that Natura will eventually be developed," says an executive from e rival oil company. "The question is whan."

Other international companies are putting forth alternatives they say will maet demand in the early part of the next decade, and that would enable indonesia to retain its ranking as the world's leading LNG exporter. These range from adding a ninth train to the existing LNG plant at Bon-

st, to constructing a new LNG plant on Irian Jaya to exploit the big Wirtagar Deep gas reservoir discovered by Arco, the Los Angeles based US company.

Mr Nayoan dismisses suggestions that such projects will undermine Natura. Asked, for example, whether Indonesia could justify two greenfield LNG projects, he says simply: "Why not?" The debate over the struc-

ture of Indonesia's gas industry has eclipsed of in the oil industry. Oil is still the country's primary energy source, and it remains an important contributor to government revenues and export Pertamina, the state oil com-

pany, says proven reserves in 1995 amounted to 9.5bn barrels, while total oil resources might be as much as 66bn barrels. Production capacity this year is about 1.6m barrels a day. But buoyant domestic demand means oil exports are falling, and some industry executives predict that Indonesia could become a net oil importer by 2000, a forecast government

officials generally dispute. Faisal Abda'oe, Pertamina's chief executive, believes there is scope for further large discoveries in spite of the fact that mucb of Sumatra and Java, where the country's most prolific oil fields are situated,

have been extensively studied. He notes that only 36 ont of 60 sedimentary basins in indonesia have been explored. But international oil company executives say much of the unexplored acreage is in remote eastern Indonesia, where operating costs are high.

individual walls in eastern Indonesia can have exploration costs of \$15m-\$40m because of the lack of infrastructure and shore support facilities in the "It can take three we for an ocean-going barge just to get the equipment out there," says one executive.

Many international compa nies say the government could offer greater incentives to tan the many small, marginal fields known to exist around producing reservoirs. But executives say they are not optimistic about early progress, given the slow speed at which most proposals pass through government bureaucracy.

"There will be a crisis one of tbese days, when production falls and export earnings drop. Then maybe they will act." says one Jakarta-based west ern executive.

Frustration with the present system is shared by some Indonesians. Dr Subroto, a former energy minister and secretary general of the Oganisation of Petroleum Exporting Countries, says the government "needs to be more bold, and do more to push out the point at which we become a net

importer". He says competition for international investment in oil projects is now so keen that competing countries regularly adjust their fiscal and regulatory regimes. "The government here has to adjust the rules continuously, and not just say we did so last year." ha says.

Kondur Petroleum

n the same boat

Being Indonesian does not give oil companies a much easier ride than foreign operators

Foreign oil companies operating in Indonesia have for many years complained of the difficulty in gaining access to the ministers and officials who can make. isions affecting their projects. But can a private Indonesian oil company du any better?

Kondur Petroleum, a company connected to the Bakrie Brothers industrial and commercial conglomerate, last year took over the Indonesian oil interests of Lasmo, the UK explorer, and installed an Indonesian management

Since then it has boosted oil production at the group by a 1,000 barrels a day to 19.000 bpd. However, senior managers say that its achievements so far have had little to do with any special treatment by the authorities in Jakarta.

Sometimes being Indonesian can even work against us," says M. Suluhuddin Noor, Kondur's general manager. But heing Indonesian can

be a definite advantage during the course of negotiations with officials. We know when not to

push them to the wall.

explains Mr Noor. "And we also know the right time to drag them to the negotiating

Nor does Kondur enjoy any extra leeway when it comes to rationalisation, a task which many foreign companies operating in the country say is difficult, given Indonesia's strict labour

"As far as employees are concerned, we are in a period Rennier Latief, Kondur's chief executive. "But we can't just cut employees."

Kondur has so far adopted a deliberately low-key

Kondur has been trying to cut operating costs in an uncertain price environment

focus since last year has been placed on encouraging the group's 500 or so employees, many of whom were demoralised as a result of a long period of inactivity towards the end of Lasmo's

ownership. People just sat around with unthing to do," says Mr Latief.

In addition, Kondur, in common with most international exploration and production companies, has been busy trying to cut

operating costs in an uncertain oil price environment.

But in coming years the pace at Kondur is likely to quicken, say the two executives. "If we grow, we will grow fast," says Mr Latief.

The company bas already set an ambitious goal for itself of becoming a fully integrated oil organisation once the Indonesian government has followed through on its promise to liberalise the downstream

But unlike some foreign companies, which rushed to secure permits for the building of refineries in order to persuade government officials of their seriousness, Kondur is content to wait for the right time to make its ...

"We don't want to hold permits and do oothing with them," says Mr Noor.

But are other private Indonesian companies likely to copy Kondur's example and enter the oil industry? Neither Mr Noor nor Mr Latlef expects a rush into the industry, even though there is a perception among many Indonesian businessmen that it is a particularly incrative

The problem, the businessmen say, is that the capital costs are simply too high and the payback too drawn out to satisfy the ambitions of most Indon

Robert Corzine

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The sector is a top source of foreign exchange but many worry about mass development

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To many foreigners the picture postcard view of Indonesia is one of lazy days spent on deserted palm-fringed beaches, or of adventurous treks into the deep jungles and rainforests of Kalimantan and Irian Jaya. And for those who are willing to spend the time or money needed to get to the more remote islands, that dream can still be realised relatively eas-

But in the case of Bali, the country's most popular tourist destination, that vision bas fallen victim to mass development aimed at the package tour market.

The island's famous resort of Kuta beach now resembles an Asian version of Spain's Costa Del Sol, with dozens of bars. discotheques and fast food outlets lining the resort's main street, and bundreds of bawkers try to waylay tourists with

For the Indonesian government, tourism promises to be a top money earner, with revenues from visitors expected to be one of the country's main sources of foreign exchange by the early part of the next

It is also seen as a big employer, especially for the increasing number of educated young peopla who cannot find work elsewhere.

The country earned \$5.9bn last year from 4.32m foreign tourists. Official estimates suggest those numbers could rise sharply over the next decade. with as many as 11m visitors spending \$15bn by 2005, according to officials.

But it will take more than natural beauty and a tropical climate to turn the government's goal into a reality, say industry experts.

In recent years Indonesia has managed to attract relatively large numbers of tourists. But many of them were young western backpackers, with more time on their hands than money in their pockets.

The time and trouble of travelling between distant island groups, the sheer size of the country and its relatively undeveloped infrastructure suited their styla of travel. structure has proved to be a big barrier to attracting more affluent but less adventurous

One government minister recently claimed that "the country's infrastructure, including telecommunications and transportation, especially in Sumatra and Java, ara already appropriate for conve-

But travel in Indonesia can still be daunting for many for-



Top earner: statues of Hindu gods on Ball. The Island has fallen victim to mass de

eigners. "Jakarta is like Los Angeles without the freeways." says one foreign businessman in the capital. Exchanging stories of nightmarish traffic jams in the sprawling capital city ment as one of the next big has become a standard introtourist destinations. duction to business conversa-

tions. The perceived dangers on Jakarta's streets are such that many international companies bar their foreign employees from driving in the capital. And even short taxi rides in the city centre can often deterigrate into "dodgem" contests

Critics of the programme question how much the local population gains

that test the driver's from will and the passenger's patience and nerves.

nient, although passengers often have to make several connecting flights in order to reach some of Indonesia's more unspoilt tourist destinations. In addition, frequent users of the domastic air natwork report numerous flight delays or cancellations. The sight of trate tourists engaging in animated arguments with airline

The absence of direct air

links to the outside world is seen as one of the main barriers to the development of Lombok, the island east of Bali which is seen by the govern-

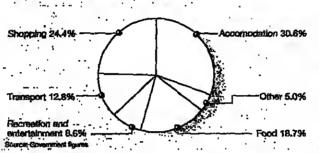
The island has long been a favourite of backpackers. But in recent years, the construction of a small number of huxury hotels has attracted more affluent visitors from elsewhere in Asia, Europe and North America.

In 1988, only about 45.000 foreign tourists arrived in Nusa Tenguara Barat, the province in which Lombok is located. But in the year up to November 1995 some 161,382 tourists

At present, resorts such as those on Lombok can offer foreign tourists a distinct cost advantage over other luxury holiday destinations, with room rates three times lower than those charged at similar resorts in the US and Europe.

The island has succeeded in attracting a growing number of long distance travellers from Europe, which accounted for almost two-thirds of all arrivals in 1994 Local officials say that those numbers could rise substantially if the island had an airport capable of receiving jumbo jets, although there are those who worry that such a development could lead to over-development of the type that has occurred in parts of

Some critics of the governalso question how much the What tourists spend money on



Singapore, was designated as a

joint tourist area by the two

The area is expected to draw

as many as im tourists a year

by the end of the decade.

About 23,000 bectares on the

have been designated for tour-

ism development, with most

projects due to be built on a

70km long stretch of white

governments in 1990.

sand beach.

local population actually gains from such developments. At the Sheraton hotel on Senggigi Beach, managers say they have tried to ensure that local people benefit directly from tour-

"People from Lombok have a northern part of the island slight advantage in securing a job here," say hotel managers. But they concede that much of the hotel's expenditure on food and drink goes to foreign companies, especially those in Aus-

"It's a question of consistency. Indonesian suppliers fust aren't geared to supply all year round." The botel has, bowever, begun experimental projects with some local farmers to see whether they can supply some of its needs.

Although much attention is currently focused on the tourist potential of Lombok and the other islands of eastern Indonesia, there have also been moves to open up new resorts pelago. Bintan island, near Mining: by Robert Corzine

Rich in reserves

The extent of the country's mineral deposits is an indication of the sector's potential

Indonesia may be banking on manufacturing as its future engine of economic growth. But intense international interest in its mining sector sug-gests resource-based industries will continue to expand for some years to come.

Last year the value of mineral exports rose by almost 50 per cent to \$2.7bn. Over the past six years production of coal and gold has increased by more than 700 per cent.

Predictions of further sharp increases have been fuelled by rising production at existing mines and relatively high levels of exploration, with the potential of many remote areas on Irian Jaya and Kalimantan only now being realised.

The speed with which new mining projects have been organised contrasts sharply with the slow pace of approvals in the oil industry. International mining companies say the government is far more flexible when it comes to negotiating mining contracts than lt is with oil.

Last year's rise in mineral exports was attributed in large part to the performance of the giant gold and copper mine run by P.T. Freeport Indonesia in

Irian Jaya. The extent and richness of its reserves aymbolises the potential of Indonesia's mining sector. It has the world's single largest gold reserve of 50m ounces, and the third largest copper reserve of more than 14m tonnes. It employs some 15,000 workers and last year contributed \$213m a year in taxes and royalties to the government

Further exploration could uncover even greater riches. say Freeport executives, "Irian Jaya is one of the most attractive exploration areas left in the world for base and precious metals," says Paul Murphy, Freeport's senior executive in Indonesia.

But the Freeport mine also reflects the problems which can beset large resource projects in pristine, remote areas. In recent years the company

has found itself in the midst of civil unrest and the subject of an international environmen-

tal campaign. The latter resulted in the termination last year of \$100m in political risk insurance from the Overseas Private Investment Corporation (Opic), an independent US government agency.

A compromise settlement was reached with Opic earlier this year, under which Freeport will make annual contrihutions to a trust fund that will eventually reach \$100m, in order to pay for the environmental remediation efforts taking place around the company's Grasberg mine. Opic will also monitor the

unplementation of recommendations which are contained in a recent independent report into the company's impact on

A shortage of skilled workers threatens to hold back operations across the country

the local environment. The study said that "until recently PTFI was slow to meet its environmental challenges. adopting a reactive rather than pro-active response,"

The company, which bas also been threatened with a lawsuit in the US, concedes that it made mistakes in the past. "But they were bonest mistakes," says Mr Murphy. Many of the social problems

which have beset the operation stem from the population increase that accompanies any large-scale industrial enterprise in Indonesia, even those located on tha most remote islands.

In the late 1960s, when Freeport first signed an agreement with the Indonesian government, there were less than 400 people living in the area around the mine. Now there are 50,000-60,000 people in the immediate area, including thousands of migrants from

The company accepts that it production targets.

performed its role as the effective government of a vast area of Irian Jaya in a "top down"

"Our biggest mistake was not getting the people to par-

ticipate," says Mr Murpby. But he questions the wisdom of having a foreign company as the administrator of such a culturally and ethnically complex area. "It's not an appropriate role for foreign investors,

he says. Civil unrest and an upsurge in activity by separatist rebels in the area in recent mooths, including the kidnapoing of foreign scientists working in the nearby Lorenz national park, bas resulted in increased government presence. That, says Mr Murphy, should eventually belp to improve rela-tions with local tribal groups.

Environmental and social concerns are also cyident around mines in Kalimantan. another mineral-rich island which has attracted intense international interest.

But they are not the only issues facing the industry. A shortage of skilled workers threatens to bold back mining operations across the country. Managers at the Kaltim Prima coal mine owned by British Petroleum and CRA of Australia near the East Kalimantan coast say that many of the new recruits, including those who arrive with vocational training credentials, fall far short of the required stan-

Kaltim Prima has organised an extensive training scheme to bring recruits up to the requisite skill level. But managers complain that many newly trained workers are soon attracted by the higher wages being offered at new gold

Many of the mining companies are also finding it increasingly hard to recruit accountants and other professional staff to work at the remote sites, given the high demand for their skills in Jakarta and other commercial centres in

the country.

Managers at Kaltim Prima say that the shortages of key staff have now reached a point where they may have to ask the government to allow them to recruit more expatriates in order to meet ambitious new

officials is all too common, say ment's tourism programme officials.

Forestry: by Manuela Saragosa Feeding a giant appetite

Sustainable management is needed if the country is preserve its resources

Douglas Benton, manager of one of the forest conces operated by the New Yorklisted pulp and rayon producer April, can reasonably claim to have a forest in his garden in Sumatra. He and his wife live in a clearing in the concession overseeing some 30,300 hectares of forested land which will eventually be converted to tree plantations to feed April'a

Riaupulp mill. Forested land around his bouse, however, will be left intact for aesthetic reasons. As such it is set to become more valuable over time; donor organisations estimate im bectares of forested land are being irretrievably lost in Indonesia every year.

Few, however, would advo-cate total conservation. Forest products have played an essential role in fuelling Indonesia's economic growth. But in its most recent report, the World Bank warns that without sustainable forest management, Indonesia's "volume of forestbased exports will begin to decline sharply around the end

of the century". Plywood is still Indonesia'a largest non-oil foreign exchange earner. Indonesia has installed capacity of about 11m cubic metres a year. Chandra Lienandjaja, analyst at brokers ING Barings in Jakarta; expects Indonesia'a installed pulp capacity to rise to between 5m and 6m tonnes by the year 2000 from 2.8m tonnes currently, enough to make Indonesia tha world'a largest

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producer and exporter. This has raised concerns among some analysts of an starts to outstrip sustainable

For some investors, this will raise ethical issues. For others, the concern will be whether deforestation will result in higher log prices, say analysts Widyaka Nusapati and William Keeling, Kleinwort Benson representatives in Jakarta.

However, the investment eeded to set up a pulp mill in April's case its \$1.3bn Rianpulp mill - makes it an industry unlikaly to attract fly-by-night operators.
"People have to think

long-term in the pulp industry. They have to think how are we going to feed this monstrous appetite for the next 30 or 40

And because the wood yield per hectare of a plantation can be 20 times what you would get from a natural forest, you need fewer hectares," says Dr Neil Byron, assistant director at the Centre for International Forestry Research, headquartered

But there is concern that soma pulp producers lack the scientific knowledge to ensure sustainability of their forest resources and will be forced to log outside their concessions to ensure constant supplies for their mills.

The plywood industry has not set an encouraging precedent. Plywood mills can be easily dismantled and moved and the industry's planning horizon does not extend to more than eight years, a time frame which does not accommodate the long growing cycles of most tropical hardwoods trees.

Kleinwort Benson's representatives in Jakarta say Barito Pacific, Indonesia's largest ply-wood producer, has had to increase the number of logs it buys from outside its concessions while cutting its own capacity utilisation to just 65 per cent. The company is industry-wide shortage of raw

unable to source enough timber to feed its mills despite owning forast concessions

How a company plans to feed its mills will become an increasingly important criterion in securing investor confi-dence. James Cikaluik, general manager of April's Riaupulp mill which is set to increase its capacity to 2m tonnes a year by the year 2000 from the current 750,000 tonnes, says that by 2002 the company's plantation and reforestation programs will supply all of the

mill's current fibre needs. The company works with overseas researchers, local graduates with forestry or scientific backgrounds and technicians researching ways of increasing yield of wood per hectare. And with the number of hectares the government allocates for forest concessions diminishing annually, sustainable management of existing concessions will become even

more important. Apkindo, the country's plywood association controlled by the self-styled timber tycoon and close associate of President Suharto, Bob Hasan, estimates Indonesia has 143m ha of forested land left. Ministry of forestry figures put the number at 109m ha of which about 35m to 37m ha have been earmarked as conversion forest - that is for other land uses -

and about 49m ha as protected

But these figures are widely disputed by non-governmental organisations who argue that there are only 90m bectares of forested land left. One forestry expert remembers standing in the middle of a Kalimantan rice field which the ministry of forestry had recorded as pro-tected forest. "The nearest tree was about 20km away," he says. "Who knows how much protected and conversion for-

that forest settlers are the innocent victims of deforestation. But 'the facts are more complicated. Shifting agriculture, where sattlera move within the forest slashing and burning trees to make way for crops, is one of the main causes of deforestation in Indonesia.

Concessions need roads to transport logs which in turn invite farmers and settlers to move to new areas of the forest bringing the problem of shifting agriculture to places where it did not exist before.

Concassions are often awarded with no consideration for the settlers already living in the area. Without a legal claim to the land, local commonities have a powerful incentive to deforest and use the site for other purposes," the World Bank writes in its most recent

Megal logging remains one of the biggest threats to the country's forests. The World Bank estimates sustainable yield from forests in Indonesia is about 22m cubic metres a year but the rate of felling is estimated by independent sources to be above 40m cubic metres a year. This suggests that the ministry of forestry is failing to enforce its annual

allowable cut Over the past few years, the ministry has started revoking a concession licences if there is evidence that a company is felling more trees than permit-

But the sector is highly politicised. As a result, although the minister of forestry is credited for taking steps to tackle tha issue, trary. "It's not a question of rewriting the forestry manuals," says one forestry expert. "It's just a question of imple-

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Pork is forbidden for the

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Moslem population and beef

capital investment or loans.

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frowned upon except in sports

facilities or on the beach.

Republik Indonesia (Republic of Indonesia)

Observe proper decorum in

■ Nightlife and the social divide: by Manuela Saragosa

New wealth paints the town red

Upmarket clubs all over the capital are evidence of a growing class of nouveau riche

With its population of 10m. tangled traffic jams, seas of steel, glass and concrete towering over sprawling shanty towns, Jakarta is Indonesia's "Tho Kota" (mother city) nurturing some of Asia's most ostentatiously wealthy and neglecting some of Indonesia's most miserably poor.

It is where satay sellers tirelessly push their mobile kitchens around the residential streets dodging air conditioned sedans and where lepers beg near luxury shopping malls and street children jangling tambourines at red lights peer into cars windows hoping for spare change.

Wealth and poverty, east and west wrestle each other daily on Jakarta's streets and the city's nightlife reflects this. Lower income groups go to "dangdut" hars featuring

bands playing a hybrid of Indian popular music, country and western, and Malay percussions. This is the music of the masses, a chance for Indonesians to hear their strife. love and heartache expressed There is the upmarket

"dangdut" - found in some of Jakarta's more exclusive hotels and the seedier, more popular variety in neon-lit hars the package if not the entertainment. Female singers clad vocalists in white suits and black ties rarely fail to entice

people on to the dance floor. But the cheap beer at some "dangdut" bars is still too expensive for those Indonesians forced to eke out an existence on a minimum wage of about Rp5,100 per day. In east Jakarta, the grimy road underneath the Jatinegara train sta-

another variety - "jaipong". One side of the road is lined with makeshift stages where heavily made-up women clad

tional "kebaya" costumes of sarongs and lacy tops, sway to "dangdut" tunes. On the other aide of the road, hundreds of men sit and gawk, sipping beer in the smoke of burning clove rigarettes. This is the closest Indonesian culture gets to a striptease. No clothes are shed; this, after all, is the world's largest Moslem country.

After Jakarta's hundreds of mosques have finished calling the faithful to prayer, those not lured out by the sound of "dangdut", hunt the bars and nightclubs for western-style entertainment and decadence. Jakarta is where all the hig contracts are signed, decisions

are made and where most of

Jakarta is the country's first port of call for the world's latest ideas and fashions

the newly rich are settling. As such it is the country's first port of call for the world's latest ideas and fashions. Many of those who make up Indonesia's elusive, hurgeoning middle lass would not be seen dead in a "dangdut" har.

Noll, a 22-year old secretary fluent in English, likes everything western, including her hoyfriends. Jakarta's Hard Rock Cafe is her favourite hangout and the louder the music the better. "I come here almost every night because I want to meet foreign guys. We meet Indonesians guys every day. I want a foreign boyfriend," she save. Age is not an issue, but

money is. Noli believes a "bule" - literally "albino" but slang for "western" - boyfriend is a ticket out of Indonesia and into the world. More recently. Noli and her

friends have discovered the Tanamur, probably the only nightspot in Jakarta where social class is irrelevant, Scant-

in exceptionally tight tradi- technopop and house music on a wooden catwalk above a crowded, sweaty den where government ministers' dren and relatives rub shoulders with actors, diplomats, prostitutes and transvestites.

Indonesia's Moslem majority will ensure that Jakarta's sex industry is unlikely to ever match Bangkok's excesses. Meanwhile, however, massage parlours offering ambiguous services abound. And along a road only a short walk from President Suharto's residence in the exclusive downtown suburb of Menteng, peddlers sell puppies in cages by day and transvestites strut their

stuff hy night. it is a scene fit for a Federico Fellini film: degradation in an exclusive neighbourhood. After 11pm, the road is choked with trucks and luxury sedans. Most come out of curiousity, a numlately made-up transvestites dressed in painfully high stilettos call out to passers by, jump into cars and reappear 10 minutes later when the car bas circled the block.

But it is the number of upmarket, large technopop nightcluhs sprouting everywhere in the capital that bear testimony to the growing class of "nonveau riche". This is where the children of Indonesla's élite congregate to pose and dance in a hedonistic cocktail of drugs and alcohol.

Islam restricts alcohol intake yet all of Jakarta's clubs sell beers and spirits. Over the past two years, drugs, in particular ecstasy pills, have become increasingly popular. Newspapers report drug husts most months and nightchubs are regularly raided by police.

The military has recently declared a war on ecstasy pills but has also had to remind its own security forces they are barred from nightclubs and hrothels and moonlighting there as guards, Some 13 soldiers were arrested in raids on nightclubs in the past two months and a policeman was found dead from an overdose of ecstasy pills earlier this year. No-one, it seems, wants to miss out on the new-found wealth.

CONTRACTOR OF THE APPEARANCE OF A CONTRACTOR O ALL STATE OF THE STREET, THE RESERVE TWO MESSES IN A NESSES IN A NESSES IN

Business guide In Jakarta it can be difficult to hall taxis, so engage one at the hotel and retain it until

GMT + 7 hrs in West Zone (Java, Sumatra, Bali) GMT + 8 hrs in Central Zone (Kalimantan, Sulawesi, Timor) GMT + 9 hrs in East Zone (Molucca, Irian Jaya).

Climate

Tropical, uniformly hot and humid with monsoon rains from December-March and dry season from June-September. Rainfall averages between 150cm and 400cm a year. Hilly areas are cooler. Jakaria: hottest months: April and May, 24-31°C (average daily minimum and maximum). Coldest January and February, 23-29°C. Driest: August, 43mm average rainfall Wettest months: January and February, 300mm average

Entry requirements Passport: required by all except for holders of certain documents issued by the UN or Indonesia and certain seamen. All visitors must be in ssion of passports valid for at least six months with proof of onward passage, either return or through tickets. Visa: usually required for all except EU countries, US, Canada, Argentina, Australia, Zealand, Scandinavia. Venezuela and Asean passport holders. Regulations are subject to interpretation. If in doubt, obtain a visa. Special permission from the Immigration Department must be obtained for travel to Irien

Java or Timor. Prohibited entry: documents, including passports, issued by Israel are not acceptable. Currency

The maximum Indonesian currency which may be imported or exported is Rp50,000 per person. Exchange rates for foreign currency are generally the same at banks and money changers, Major cheques may be exchanged at most banks, except in the provinces. It is advisable to carry rupiahs before travelling to outer provinces or minor

Health precautions Mandatory: vaccination

And Property of March

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SECTION OF PRESENTING trace condition

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SPECIAL PROOF HARADONESIA - I

travelling from infected areas. Advisable: cholera vaccination and anti-malarial precautions.

International standard hotels have air-conditioning and often business centres, where translation and secretarial services are normally

A 10 per cent service charge is normally added to the bill. so tipping with small change is usual. Where no service charge has been added, a tip of 5-10 per cent would be appropriate.

Credit cards are accepted at international-standard botels. but not for domestic air fares. International car hire companies, such as Avis and Hertz, will also accept credit

Car hire

Mostly chauffeur-driven. available in major towns and cities. Except for international car hire operators which accept credit cards, full payment for car hire is made

City transport Taxis: taxis can be obtained at hotels, sirports and railway stations. From Sockarno-Hatta airport to Jakarta city, taxis add a surcharge of Rp2,300 and are metered taxis only in Jakarta, Surabaya, Bandung, Solo, Semarang and Yogyakarta, but it may be sary to insist on the use of the meter. Fares are reasonable. Taxis may also be

expensive for longer journeys.

returning. A 10 per cers tip is usual. There are also reinicales for two passengers, the bend (small bus) which plies regular routes, and the becak, all of which need advancebargaining to come to mutually accepted fare Rail: Citra Lemtorogues Persada, a company ovai the president's eldest daughter. won the contract to build a KEY FACTS \$80m overland light efficated railway system in southern

Underground: Work one 14km underground transport sy in Jakarta starts in 1997 and will be operational hy 2000,

Public holidays Fixed dates: 1 January (New Year), 17 August (National A. Day), 25 December (Christmas). Variable dates: Nyepi-(Balinese New Year), Good Friday, Miraj, Ascension Day (Jesus Christ), Waisak, Eld al-Fitr (end of Ramadan), Eid. al-Adha, Islamic New Year,

Maulud, Dates of Moslem

festivals may vary, as they

depend on the lunar calendar Working hours Business: (Mon-Fri) 0830-1600 (Sat) 0890-1230. Frt: it is ... difficult to make an appointment after 1100 although hustnessmen sometimes meet in the late afternoon and early evening. Government: (Mon-Thn) 0800-1500 (Fri) 0800-1130 (Sat) 0900-1400. Banking: (Mon-Fri) 0600-1400 (Sat) 0800-1100. Hotel banks may remain open longer.

(some close at 1730).

Social customs

Moslem and alcohol is not indigenous to indonesia considered essential to social occurs in business with intercourse. Handshaking is reference to local participation, customary but use of the left hand to give or receive is taboo. Crooking a finger to call impolite. Do not start to consume food or drink until places of worship. invited by the host to do so.

Official title Jakarta, construction to start Head of state

....Golongan Karya (Golker) Official language Rupiah .. Rp2,331:1 (May 24, 1996) 1,919,443 sq km (17,508 istands1,026 (1995) GDP per head 7.1% per year (1991-95), 8.1% (1995). 8.9% (1991-95), 9.4% (1995)

24.2 Oil and gas products Food, drink, tobacco Major imports (1994) Machinery, transport, equipment 16.3 Chemicals Rew materials

berrels (and-1994)

Oil reserves Trade balance \$7.8bn (1994) Sources: EU, World of Information

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> NEW YORK: Tel. 1 212 509 6191 Fax. 1 212 509 2007 - LONDON: Tel 44 171 329 4424 Fax. 44 171 329 4345 PARIS: Tel. 33 1 42 89 31 31 Fax. 33 1 45 63 65 43 HONG KONG: Tel. 85 286 80575 Fax. 85 281 06502 - STNGAPORE: Tel. 65 532 0200 Fax. 65 532 0206

A yarn to surprise you Polyester dominates as the world's leading synthetic fibre, representing over 50% of global synthetic textile production. It's everywhere, in tashion labrics as well as sports shoes, mens suit linings, interior furnishings, car seat belts, soft toys, diapers and even construction materials. And such surprising versatility can be found. in Indonesia, at PT Artostex. Combining today's world class technology and local experience that stretches as far back as the 1930's Artostex is a leading polyester producer with an international reputation. So if you'd like to learn more about the world's leading synthetic material why not ask a leading exponent.





SECOND-HAND TOBACCO SMOKE IN PERSPECTIVE

What risks do you take?

Almost every day, it seems that one thing or another has been discovered to be some kind of health risk.

in one scientific study, even drinking ordinary chlorinated water was linked to cancer.

But as common sense suggests (and scientists confirm) not everything described statistically as a risk is a meaningful risk.

For example, lots of people have been persuaded that second-hand tobacco smoke is harmful.

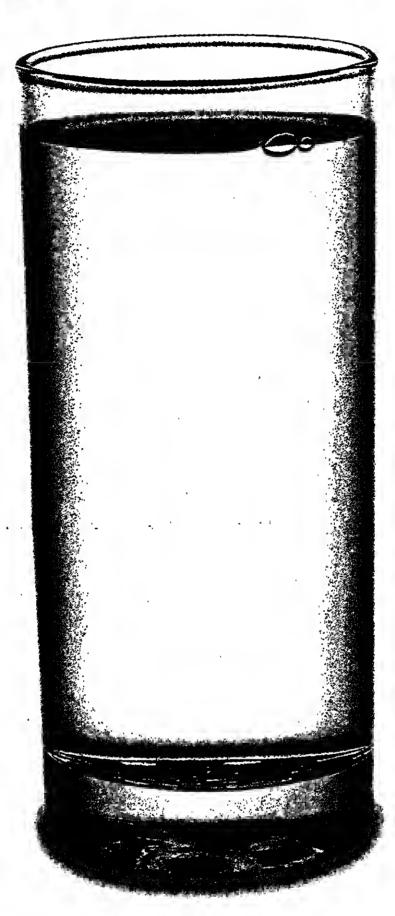
Not surprising, perhaps.

After all, we recognise that smoking itself is a risk factor for certain human diseases and that some people find second-hand tobacco smoke unappealing and unpleasant.

But what about second-hand tobacco smoke? Is it really a meaningful health risk to people who've chosen not to smoke?

Not, we think, if you look at the evidence.

The United States Environmental Protection Agency recently conducted a major review of studies on the risks of second-hand tobacco smoke to non-smokers. These studies typically involve non-smokers living with smokers over a long period, such as 20 years.



And this review put the risk of lung cancer from second-hand tobacco smoke at a level well below the risk reported by other studies for many everyday items and activities.

And below, in fact, the risk to health that one other study reported for drinking chlorinated water.

As the table below shows, many everyday activities have been statistically associated at one time or another with apparent risks to health.

But reputable scientists say that weak associations aren't necessarily meaningful.

So there's no big campaign to persuade you to stop drinking chlorinated water.

Nor is there any sound justification for a campaign against second-hand tobacco smoke.

If you'd like to decide for yourself, please write to us at Philip Morris Europe S.A., c/o P.O. Box 107, 1000 AC Amsterdam, The Netherlands or fax us on 00 31 20 671 98 89 or access us on: http://pminfo.yrams.nl

We'll send you the evidence about secondhand smoke.

We believe you'll find the case convincing.

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Everytisy Activities	Reported Relative Risk*	Reported Health Effect	Scientific Study Reference
Diet highest in saturated fat Non-vegetarian v vegetarian diet Frequently cooking with rapeseed oil Drinking 1-2 glasses of whole milk per day Eating one biscuit a day Drawing Chormana Chart Eating pepper frequently Exposure of second hand tobacco smoke High vegetable diet High fruit diet	6.14 3.08 2.80 1.62 1.49 1.38 1.30 1.19 0.37	Lung cancer Heart disease Lung cancer Lung cancer Heart disease Rectal cancer Mortality Lung cancer Lung cancer	Journal of the National Cancer Institute, Vol. 85, p.1906 (1993) American Journal of Clinical Nutrition, Vol. 31, p. S191 (1978) International Journal of Cancer, Vol. 40, p. 604 (1987) International Journal of Cancer, Vol. 43, p. 608 (1989) Lancet, Vol. 341, p. 581 (1993) American Journal of Public Health, Vol. 82, p. 955 (1992) American Journal of Epidemiology, Vol. 119, p. 775 (1984) U.S. Environmental Protection Agency (1992) International Journal of Epidemiology, Vol. 25, Suppl. 1, p. 32 (1996) American Journal of Epidemiology, Vol. 133, p. 683 (1991)

Philip Morris Europe S.A.

Second-hand tobacco smoke. Let's keep a sense of perspective.

PM sets date for end to beef export curbs

By Robert Peston in London and Neil Buckley in Brussels

The UK will be in a position to see the lifting of almost all elements in the European Union's ban on beef exports by November, the prime minister pledged

yesterday.
In what was described last night by one of his ministers as a "massive hostage to fortune", Mr Jnhn Major said that the government would bava completed by then the most important measures to eradi-cate BSE or "mad cow dis-

The European Commission reactly cautiously to the prime minister's timetable. A spokesman for the agriculture com-missioner. Mr Franz Fischler, said tha cummissing has "never wanted to give dates . . . even theoretically". He pointed nut that even

the framework plan agreed by EU heads over the weekend, a relaxation of the ban would still have to be approved by all the different EU committees

concerned with beef. Earlier the prime minister met a mixed reaction from his own MPs to his statement in the Hnuse of Commons on the ending of his policy of disrupting EU business, following agreement on the frame-

The leading Eurosceptic and former minister, Mr John Red-wood, urged him to employ "equally persuasive" tactics to urge EU member states to reform of the European Court of Justice and Common Fish-

However, a pro-European backbencher, Mr George Walden, said the war against the EU meant that "we have lost

thousand more cows".

In his statement, the prime minister laid down three target dates for meeting the neces-sary conditions laid down in the framework plan for the eradication of BSE.

By October, he expected the UK to be able to export cows from berds certified as free from BSE and animals "born after a specified date", thought to be mid-July. This would give the UK access to a market worth £100m (\$153.00m) a year. At around the same time, he

expected the European Com-

mission to propose a lifting of the embargo on embryo sales. The following month the UK "should heve met the conditions necessary "for a decision to lift tha ban on . . . meat from all animals under 30 months", opening the way for "exports worth some £530m a



The Daily Mirror, the second biggest selling daily newspaper in Britain, harked back to the second world war yesterday in looking ahead to tomorrow's semi-final between England and Germany in the Euro 96 soccer tournament. The Editor's column parodied the 1939 statement with which prime minister Neville Chamberlain announced that Britain and Germany were at war.

Banned trader **'unfairly** blamed'

By John Gapper, Banking Editor



former head of derivatives trading at Barings, yesterday accused fellow BARINGS executives at the merchant bank that col-

lapsed last year of "knowingly or unknowingly conspiring" with Mr Nick Leeson to cover up his fraud.

Mr Baker claimed be had

been unfairly blamed for fail-ing to prevent Mr Leeson's £830m fraud, and accused Mr James Bax, the former head of south east Asia, of knowing that Mr Leeson had forged a document a month before the

Mr Baker, who is appealing against a three-year ban from the Securities and Futures Authority on working in the City of London, is the first Bar-ings executive to make such aerious public accusations against bia formar

colleagues.

He told the House of Commons Treasury committee that the Barings manager most directly in charge of Mr Leeson until six weeks before the collapse was Mr Mike Killian, the former head of futures and options sales in Tokyo, who is

employed by ING Barings.

Mr Baker said that Mr Lee-son reported through Mr Killian to Mr Peter Norris, former chief executive. He said that futures and options sales "had descended into organisational chaos" under Mr Killian before:

he took over in January 1995. He also said that Mr Bax must have known that Mr Leeson had forged his signature on a false authorisation for a £50m trade in January. This forgery enabled Mr Leeson to carry on hiding his losses for a further month before the col-

Tracer vehicles will be much

more expensive than the bat

tlefield taxis, with the 400-odd

which the UK wants costing

about £1bn making the pro-

gramme vulnerable to Trea-

Three consortioms have

done preliminary work on

Tracer combining vehicle mak-

ers with electronics experts,

Vickers, Shorts of Belfast and Texas Instruments; GKN and GEC; and British Aerospece

Again, neither France nor

Germany currently has a need for such a vehicle, although Germany is beginning to become interested. The US,

however, will be developing a

similar vehicle, and discus-

armour manufacturers facing a

bumpy track ahead.

sury spending cuts.

and Alvis.

UK NEWS DIGEST

Medical skills to be promoted

London First, a promotion group backed by most of the capital's biggest companies, local euthorities and by the Department of Trade and Industry, is planning a campaign to

Department of Trade and Industry, is planning a campaign to sell London as Europe's centre for medical excellence. The publicity is intended to attract inward investment in pharmaceuticals and medical equipment, students for London's medical schools and private patients for London's bospitals.

London First will have spent £200,000 (\$306,000) on setting up the scheme by September and is seeking up to £300,000 e year to keep it running. Mr John Cox, director of London First, said that London needed to compete with Paris, which was also promoting itself as a centre for medical excellence. He said that the main markets for the campaign would be the US, Europe, the Middle East and east Asia.

Daniel Green Europe, the Middle East and east Asia.

US pharmaceutical investment A US pharmaceutical research company vesterday announced plans to create up to 300 jobs in Scotland. North Carolina based Quintiles intends to established a clinical data manage-

ment service plant et Bathgate. West Lothian.

Around half of the jobs will be highly skilled posts including chemists, pharmacologists and statisticans who will collate and analyse results from testing around the world, said the company. The project was won by the UK government's investment agency, Locate in Scotland, in the face of intense competition from other countries. The company already employs 263 Scottish staff near Edinburgh, the Scottish capital and has a further three sites in England.

PA News tal, and has a further three sites in England.

Second mail strike looms

Talks over the mail dispute continued last night, but hopes of averting a second national strike on Thursday were not high. The CWU postal workers' union was discussing pay and conditions with Royal Mail managers, including the contentious issue of team working. Up to 134,000 postmen and women staged their first strike in almost a decade last Friday, crip pling the mail service. They are due to walk out again for 24 hours from noon on Thursday. In the House of Commons yesterday, Mr Michael Heseltine, the deputy prime minister, signalled his wish to see the Post Office's monopoly on letter delivery broken if strike action continued. According to senior government ministers, Mr Heseltine has put pressure on Mr Ian Lang, trade and industry secretary, to allow private companies to handle letters which cost less than £1 (\$1.53) to · Andrew Bolger and James Harding

River Thames plans reviewed

The first planning framework for the Thames in London has been published by the government in an attempt to improve public access to the river and improve the quality of property development along its banks. The draft guidelines lay down criteria for riverside property developments and aim to

encourage the use of the river as e transport artery.

The central section of the river through London from Hampton Court to the Thames Barrier (below) has been designated as a special planning area. Proposed developments in this area



will have to be in keeping with London's status as a "world city". The government is also keen to encourage passenger and freight traffic on the Thames and increase the amount of waste which is transported by river rather than road. Simon London, Property Correspondent Editorial comment, Page 15

Benefit gamble proposed

A Labour government would let unemployed people take a gamble with their benefit payouts, allowing them to draw a large proportion of their future entitlements in advance and spend the money on schemes that help them find e job in a new effort to create e more "flexible" and "personalised" system of social security in the UK, the opposition party yesterday said it would let dole claimants receive up to six months of future benefit entitlements in one go - and then use the money on further education or training

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RRIGHT

Bottle of Scotch fetches \$15,300 A Scottish hotelier threw a small lunch party yesterday to welcome a £10,000 (\$15,300) bottle of Scotch whisky into his bar and to thank his accountant for letting him buy it. "It's an investment," said Mr David Birrell, owner of The Cuilfail Hotel on Loch Melfort, 25km south of Oban. He hopes will attract tourists from around the world but he said he will not let them drink it. The bottle of 60-year-old Macallan malt is believed to be one of the oldest and most expensive whiskies Roderick Oram, Consumer Industries Editor

Dutch asked to assist cattle cull

By George Parker, Political Correspondent

Britain is looking at the possibility of exporting thonsands of cattle carcasses to rendering plants elsewhere in Europe, as part of its drive to remove the backlog of animals due for slaughter under the

Mr John Major, the prime minister, acknowledged yesterday that the removal of the backlog of 200,000 condemned cattle aged over 30 months would bave to be cleared before the lifting of the beef export ban could begin. Yesterday senior Ministry of

Agriculture officials said the backlog was being caused primarily by a shortage of rendering capacity in the UK, and that Dutch companies had been approached to belp tackle

"There might have to be some amendments to the EU's export ban because sbipping carcasses to Holland might be seen by some as a resumption of the beef trade," the official

The shortage of UK rendering capacity means slaugb-tered cattle are being stored in cold stores. To compound matters, the rendered material no longer has an end use because of the ban on the use of such

products in animal feed.

Rendered material is currently being stored in army depots, pending an expected deal with power generators, who are testing whether cattle remains can be used as a fuel.

Government in showdown over asylum benefit rule

By James Blitz, Political Correspondent

The government was heading for for a tense showdown with the opposition Labour party last night over plans to legis-late restrictions on benefit payments to asylum seekers.

Mr Peter Lilley, social security secretary, said yesterday the government would intro-duce amendments to its Asy-lum bill in the House of Lords, the unelected upper house of Parliament, next Monday, The move follows a ruling by

the Court of Appeal last week that such restrictions on bene-fit payments, introduced four months ago, were illegal under existing law. His new proposal means that the government will try over-

come the Court of Appeal's rul-ing by writing the legislation into the text of the Asylum bill itself. Labour yesterday claimed the government was embarking on a risky strategy, and that opposition lords would be out in force to try to defeat the measure.

The government proposals would withdraw benefits from people who fail to apply for asylum at the moment they first enter the country. They are expected to reduce spending on social security by some

2300m (\$459m) per year.
One of the Court of Appeal judges said last week that the policy would leave some asylum seekers "so destitute that to my mind no civilised nation can tolerate it" Mr Lilley told MPs in the

House of Commons yesterday: "We are determined that this judgment will not provide a blank cheque for bogus asylum

Mr Chris Smith, shadow social security secretary, pro-tested that forcing through a change "to get around an inconvenient decision in the courts" showed "the incompetence of this administration". Mr Lilley said that asylum seekers who were deprived of benefit and were later successful in their claim would have

their payments backdated. Figures released last month showed that the number of asylum seekers had fallen by 20 per cent since the benefit cuts were formally instituted in February. In 1995 there were

Army prepares to fight on 'digital' battlefield

Competition for vehicle contracts worth \$4.6bn will determine which manufacturers stay in business

By Bernard Gray,

Army commanders always complain they are the poor relations in the services' equipment programme. Billions may be spent on nuclear submarines and aircraft carriers for the Royal Navy, while the Royal Air Force gets billions more for its fighters. But the British army struggles along with equipment which costs peanuts by comparison. That picture is changing.

The future battlefield will be so frenetic that soldiers will need very high technology equipment simply to survive. Moves are afoot to map a "digital battlefield", with commanders using computergenerated pictures.

For this e new battlefield communications system is being developed, and aircraft which can map ground move new style of army, the competithe vehicles while France way from being resolved. Brit-car which will be packed with images are being studied. Troops will have to be highly

mobile: the Ministry of Defence has placed an order for more than 400 of the new 65-tonne Vickers Challenger II tanks, and the Warrior armoured fighting vehicle, made by GKN, is already in service with the army. Soon the army will have US-designed Apache attack helicopters, being built by GKN-Westland.

Tn complement this firepower, the army needs more command, communications and transport vehicles to ferry troops around the battlefield, and a new generation of scout patrol vehicle

in total, the ministry is likely to need more than 2,500 such vehicles over the next 15 years at a cost of about £3bn (\$4.6bn). As well as creating a mine which of Britain's armoured vehicle manufacturers stay in business.

Three basic types of vehicle will be needed. The cheapest and least sophisticated is the "battlefield texi", which Britain recently agreed to develop with France and Germany. This lightly-armoured troop transporter will be used in the rear areas of the battle-field. Britain will need about 1,000 of these vehicles at a cost of around £1bn. France and Germany have similar requirements, making the total pro-

gramme worth around £3bn In spite of agreeing to a joint programma for thesa light Multi Role Armoured Vehicles (MRAVs), some difficulties remain. Britain and Germany want a competition to decide which company should build contract to its armour maker

Two Anglo-German consortiums are vying for the order. Vickers and Alvis of the UK have teamed up with Thyssen of Germany in one group, while GKN has allied itself with Krauss Maffei, MaK/ Rheinmetall and Wegmann in

Originally it was intended that whichever consortium won would then team with Giat for the final contract. But if the two teams develop rival designs and e winner is selected, neither Giat nor the French government will have much say in the design. The alternative of allowing Giat representatives on each team is being opposed by manufac-turers because of commercial secrecy, and the issue is some

ances formed in this competition will help arms makers consolidate by producing international joint ventures or even single companies to rationalise the patchwork of armoured vehicle makers in Europe. The other two types of vehicle are not nearly so beloful for such rationalisation.

The second type of battlefield taxi needed for the British army is a more heavily armoured vehicle which would fight in the thick of battle. Britain wants about 1,000 of

these, which are also likely to cost about £1bn, but neither France nor Germany has a requirement for such a vehicle. The most likely course is for it to be based on a version of the Warrior. But this split could prevent

rationalisation. If, for example, the Vickers-Thyssen consor-tium won the light vehicle bid, and GKN was awarded a contract to undate its Warrior, tha UK would have as many

vehicle makers as at present.

The situation is complicated further by the third vehicla.

This is a scout-reconnaissance

sions have started over whether the UK and US programmes might be merged. If they were, the UK would be co-operating with the mainland continent on one programme, tha US on another and going alone on a third. It represents a rationalisation of sorts but still leaves Europe'e

CONTRACTS & TENDERS



ÁPV RT.

HUNGARIAN PRIVATISATION AND STATE HOLDING COMPANY

Announcement of the results of the tender

The Board of Directors of the Hungarian Privatisation and State Holding Company passed a resolution concerning the results of the tender announced for the sale of the state-owned shares in Forum Hotel Co. (Forum Szálloda Rt.)

The nominal value of the shares offered for sale was HUF 4,100,000,000, which represent 94,91% of the voting rights in the company. The tender was an exclusive, single-round tender.

In respect of the bids submitted to the Tender Invitation, the Board of Directors of the Hungarian Privatisation and State Holding Company has declared the tender unsuccessful.

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State properties to be transferred to private sector

The government is planning to transfer more than 800 Department of Social Security office buildings to the private sector in e contract worth up to £4bn (\$6.1bn) under the Private Finance Initiative (PFI).

Following an internal review, ministers decided to contract out as many property functions as possible under the

PFL "The DSS has decided that it does not want to be in the property businesses," said one official. The decision to adopt a "big bang" approach was taken following exploratory discussions with property investors in the UK, US and Hong Kong. The annual rent roll of the DSS portfolio is about £170m, equivalent to the rental income of the UK's fourth largest prop-

The scheme will be the largest ever property-related project under the PFL It will also provide the stiffest test for PFI bidding procedures, which have been criticised by private sector companies for long delays and high costs. The DSS last week selected

Amec, the construction and

engineering group, as its pre-

ferred supplier to provide new offices for 13,000 Contributions

Agency staff in the north-east

remaining office premises, most of which are occupied by the Benefita Agency, accounting for more than 15 per cent

ises in the UK. The successful bidder for the DSS estate would assume responsibility for managing the such as maintenance and cleaning - and co-ordinating a

The full 25-year contract, including facilities management and capital spending, is estimated to have a net present value of between £3bn and

Property Holdings was replaced by Property Advisers to the Civil Estate (Pace), which provides property advice to departments to ensure that the government is receiving

value for money.

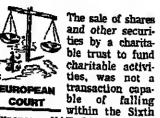
It is unclear how Pace would perform this function if the DSS and other departments transfered their office portfo-

of all government office prem-

capital investment programma aimed at upgrading the quality

In April, the DSS took over responsibility for managing its estate from Property Holdings, the government agency which looked after all government

No VAT refund for share sale



transaction capa-EUROPEAN ble of falling within the Sixth European VAT Directive and therefore was not capable of being the subject of a VAT refund, the European Court of Justice has

The case arose in the context of a sale of shares and other securities by Wellcome Trust Ltd. which was the sole trustee for the Wellcome Foundation Ltd. the pharmacentical company. In 1985, the fouodatioo's shares were exchanged for shares in a new holding company, Wellcome plc.

A number of domestic court
orders were made, permitting the

sale of various tranches of shares,

subject to the condition that the

trust retained a given percentage of the total shareholding. The present matter arose out of a sale of shares which took place in 1992. As the sale was considered too big to be carried out by public subscription, the shares were offered through a form of auction, whereby potential investors were given the opportunity to submit tenders during a given period, at the end of which, the size and price of the offer were fixed in the light of demand.

The offer involved considerable expense in the form of professicoal advice. The sale raised

In reliance on the terms of the Sixth VAT Directive, the trust sought to reclaim just under £300,000 as the input tax paid on professional services expenditure incurred in the preparation of the sale of shares sold to persons outside the European Union.

Under the provisions of the directive, VAT refunds were available wheo a recipient of goods or services was established outside

The refund application was rejected by the Commissioners of Customs and Excise on the ground that the shares and other securities which had been sold had been beld for charitable purposes and that the disposals had not been made in the course or furtherance of any husiness carried on by the trust, but in pursuance of the normal management of investments

in order to fund charitable activi-

The trust appealed that decision to the VAT Tribunal, which referred the matter to the European Court of Justice.

The court recalled first that the Sixth VAT Directive applied VAT to the supply of goods or services within the territory of a member country by a taxable persons acting as such.

A taxable person was defined as any person who independently carried out in any place any speci fied economic activity, whatever the purpose or results of that activity.

Ecocomic activities were defined as all activities of producers, traders and persons supplying services including, amongst others, professional activities.

The directive further provided that the exploitation of tangible or intangible property for the purpose of obtaining income there-from on a continuing basis was also to be considered an economic activity.

Although the trust did not have

the status of a professional dealer in securities in the UK, that did not necessarily mean that the sale of shares held by the trust could not in certain cases be treated as an economic activity within the terms of the directive.

However, the mere exercise of the right of ownership by its holder could not constitute an economic activity. Thus, the mere acquisition and holding of shares in a company did not constitute an economic activity within the terms of the directive,

Transactions in shares were capable of constituting an economic activity where they were made as part of a commercial share-dealing acovity or in order to secure a direct or indirect involvement in the management

of tha companies in question. However, it was clear in the present case that the trust was expressly forbidden from engaging in such activities. The trust, there fore, was to be considered on a par with private investors whose activities fell outside the scope of

C 155/94: Wellcome Trust Ltd : Commissioners of Customs & Excise, ECJ 5CH, June 20 1996.

BRICK COURT CHAMBERS, BRUSSELS

y the time the US embargo on Vietnam was lifted in Commitment February 1994, ecocomic reform (or doi moi) was already well underway. First introtested to limit duced in 1986, doi moi was intended to transform the centrally planned system to a market economy. That process is cootinuing today - but less rapidly than many had

hoped. Vietnam has not fared well

in the international press - with

fears of reactionary clampdowns

The recent hlacking out of west-

ern names in billboard advertise-

onlookers, and alternative Asian

Latest figures show that foreign

investment approvals in Vietnam

period last year - 87 projects worth

\$1.2bn (£780m) were licensed by the

end of April compared with 134 pro-

This is not good oews for the 28

foreign law firms based in Vietnam.

Even before the slowdown, it was questionable whether there was

enough work to go round. Now-

Law firms in Vietnam are also

having to contend with a much

tougher practice environment, as a result of new rules introduced by

the Ministry of Justice last year.

Essentially designed to protect the

interests of the fledgling local pro-

fession, the rules tightly control the

activities of foreign firms, obliging them to convert their representa-

tive offices to hranch offices -

bringing them under the auspices of

the ministry - and to register with

Foreign lawyers are forbidden to advise on Vietnamese law, while

being obliged to employ staff with a

minimum five years' experience in branch offices. Vietnamese lawyers

may only be employed for two years

The intention is to promote links

between local and foreign firms.

But as many western lawyers point oot, it is unlikely that multi-

nationals will be prepared to entrust legal opinions to what

remains a commercially immature

namese lawyers will be used to front and sign off deals while west-

ern firms undertake most of the

Fourtean firms were granted branch office licences in the first

batch in February - and a further

eight were informed on May 18 that their branch licences would be con-

They are White & Case, Baker &

McKenzie, Deacons Graham & James, Tilleke & Gibbins, Pollak &.

research and documentation.

In practice, it means that Viet-

the tax authorities.

in foreign firms.

local profession.

ferred in due course.

some departures look inevitable.

jects worth \$2.6bo in early 1995.

as better prospects.

giving some investors cold feet.

Nigel Page on the problems facing foreign law firms in Vietnam



Co. Siméon & Associés, Sinclair Roche & Temperley and Lussan Brouilland & Lafarge Flecheux

These 23 firms probably now represent the caucus of foreign legal representation in Vietnam. Many firms maintain offices in Hanoi (the political centre) and Ho Chi Minh City (the commercial centre) - for the time being, it is predominantly the Hanol offices of these firms which have become branches (each branch office is required to run a separate accounting system).
Australian firm Freehill Holling-

dale & Page received a licence for its Hanol office in February, and partner John Dick is relatively optimistic: "The new licence system probably won't make our lives any harder as we already work closely with local lawyers. Although some of our initial concerns have not all been resolved, I think that we will be able to work forward with the new legislation and build a practice on this basis.

The tax issue facing foreign firms has been a concern, Initial rumours suggested a 24 per cent tax on reve-

lawyer resident in Ho Chi Minh City put it: "When one considers that the expenses of foreign firms bere are close to 60 or 70 per cent, adding another 24 per cent doesn't leave much.

"Some foreign firms hava expressed doubts over whether they will continue in Vietnam, but if that tax is implemented there will be grave doubts about the future for most firms here."

However, the reality is likely to be less drastic after lobbying from the foreign legal community which pointed out that licensed firms would find it hard to compete with non-licensed operations and accoun-

As one Hanoi-based English lawyer explains: "It now looks like being a 4 per cent tax on turnov along with a deemed profit tax of between 8 and 14 per cent. This is still very high, but a lot better than the original 24 per cent proposal."

It would now be extremely hard for any new law firms to enter Vietnam, Depressed investment activity, along with tough and expensive practice restrictions have transformed an attractive market where,

as one lawyer remembered wist-fully, "anything was possible", to one of harsh realities.

Survival looks like being reserved for those firms prepared to commit substantial resources to remaining in the country, and to those with longstanding business and political

A good example of the latter is Lucy Wayne & Associates, headed by Lucy Wayne who first came to Vietnam in 1992. She is optimistic: "I think foreign investors are taking a more cautious approach and finding out more about the legal infrastructure here before coming in. That is probably a good thing, as the last thing Vietnam needs at the moment is failed investments.

our law firms stand out in Vietnam - Chifford Chance and Freshfields of the UK and White & Case and Baker & McKenzie of the US. They have deep resources and the ability to dig in and wait for the big project financings to come on stream.

There are others with extremely well-regarded local practices, including Lucy Wayne, Deacons Graham & James, Johnson Stokes & Master, Freehill Hollingdale & Page and Phillips Fox, which should weather the vagaries of investment flows up to and after this month's

ommunist party congress. But others will begin to find Vietnam increasingly inhospitable. Long-awaited projects are only now beginning to materialise, activity in capital markets is embryonic and predictions of a stock market by the end of 1997 look optimistic. With the likelihood of significant

tax burdens falling on top of already depressed inward invest-ment activity, the Vietnamese are testing commitment to the limit. But the big firms, backed by expansive resources, have all committed heavily and will undoubtedly be rewarded by substantial

As one foreign lawyer comnted; "It is our understanding that only those firms with regis-tered branch offices in Vietnam will be allowed to bid for work from Vietnamese companies. The justice ministry appears to be making it difficult to do Vietnam-related work if you do not have an office here. They are basically repaying com-

Mr Mark Fraser, Freshfields' representative in Ho Chi Minh City, concludes: "I believe there will be a period during which many firms here will not be making significant amounts of money because of the level of work coming in and the fact that the hig projects are only just starting to trickle though."

The author is an editor of the Asia Pacific Legal 500, a directory of law firms to be published in July.

LEGAL BRIEFS



Barristers launch free service for deserving cases

he Bar is to offer a new free service to the public. Launching the Bar Pro Booo Unit last week, Mr Peter Goldsmith, QC. former Bar chairman, said the aim was to provide legal services in specific cases where justice would otherwise be denied.

The Pro Bono Unit will hold a register of barristers willing to offer up to three days of their time to deserving cases in any field of law. So far more than 300 barristers have offered their names

for the register. Mr Goldsmith said: "This scheme is no substitute for a properly funded legal aid system. But it is a responsibla reaction to barristers' concern about the numbers of people who slip through the legal aid net and I believe the unit will make a real contribution to tackling specific and acute instances of injustice."

Shipping office

tephenson Harwood, the City law firm, is to open an office in Piraeus, Greece, in the autumn. In the short term the office will concentrate on offering shipping advice, particularly in the area of ship

Copying move he Copyright Licensing Agency, which licenses

photocopying by government, educational to target the chemical industry in the latest move in its battle against illegal copying. Its campaign is backed up by the threat of legal action against businesses guilty of copyright theft. So far the agency has taken successful legal action against a number of organisations and companies including Morgan Stanley, Manchester City Council and Fournier Pharmaceuticals.

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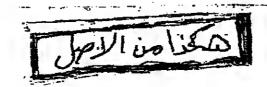
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hree hundred and fifty years after Christiaan Huygens first spotted Saturn's largest moon through his primitive telescope, the European Space Agency's Huygens probe will begin its fiery descent through Titan's dense, orange haze of an atmosphere.

On or about November 27, 2004, parachutes will slow the probe from a speed of Mach 20 at the outer edge of Titan's atmosphere to almost the velocity of an apple falling from a tree. Whether the \$350m (£228m) probe splashes into a global ocean of liquid methane or hits dry ice, it should function for at least three minutes after impact.

By then, however, its main task should have been done. Beginning at 180km altitude, seven years after next year's planned launch, the probe is scheduled to transmit scientific data for 153 minutes. By contrast, Nasa's Jupiter probe radioed data for only 58 minotes before crashing into the solar system's big-

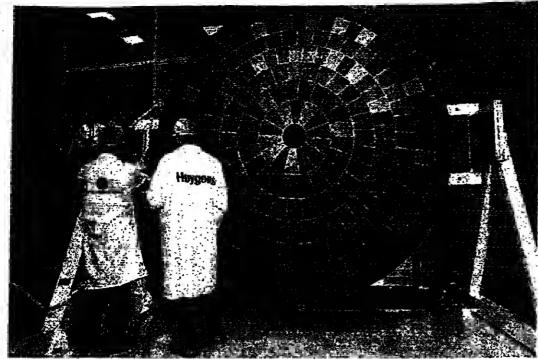
gest planet earlier this year.
We could have had a five-hour descent," says Hamid Hassan, the Huygens project manager, based at Ester, the European Space Research and Technology Centre, in Noord-wijk in the Netherlands. "But the orbiter which overflies has a limit because of the geometry [of the orbiter's radio receiver in relation to the probe] and a five-hour battery would take all the payload."

As part of the European contributioo to the Nasa/Bsa Cassini mis-sion to Saturn, the 343kg circular probe will be fitted to the Cassini spacecraft in March 1997 for launch from Cape Canaveral the following October

The payload includes six experi-ments for physical and chemical atmospheric profiles of temperature, pressure, winds, turbuleoce, and molecular makeup; downward-and sideways-looking imagers to examine the atmosphere during the probe's descent; and a package for study of the surface. This includes an acoustic radar which will work as a sonar-like sensor in case land-

ing occurs on a liquid surface, Daniel Gaotier first came up with the Huygens probe idea while a co-investigator on Nasa's 1977 Voyager One interplanetary mission. "I was intrigued by Titan when I saw Voyager's first picture of it and had the idea that the oext mission should be there, " says Gaotier, now the research director at Paris Observatory-Meudon. "So, in 1982, I answered Esa's call for new mis-

With a diameter of 5,140km, Titan is bigger than Earth's moon, Mercury, or Pluto, and has a mainly nitrogen and methane atmosphere several hundred kilometres thick. "At minus 180°C, it is too cold for life as we know it to evolve, and there is no water," says Jean-Plerre



Trip to Titan

Bruce Dorminey on the European Space Agency's first attempt at entering an extraterrestrial atmosphere

Lebreton, Huygens's project scien-tist. "Yet Titan will help us better understand chemistry oo Earth 4bn years ago, before life began." Observations made by the Hubble telescope rule out a global ocean but do suggest Titan has mountains 10km high. Also, it has large methane reservoirs, either from lakes or

from sources underground.

"The main objective is to measure the composition of the atmosphere, says Gautier, "in order to detect new organic molecules and determine the deuterium [the isotope of hydrogen] in the methane oo

That will tell researchers whether Titan's atmosphere came from pass-ing comets or its interior. Gautier believes the atmosphere came from the interior, meaning that Titan must have volcances to replenish the methane which otherwise would have been dissipated by radiation. Huygens is Esa's first attempt at entering an extraterrestrial atmo-

sphere. The agency chose France's Aerospatiale as prime contractor mainly because of its expertise in re-entry heat shield technology, largely gained through work with France's missile programme. According to Gerard Ute, Aero-

spatiale's programme director, some

technical aspects were tougher than expected because of the heat shield'e demanding requirements. The newly designed silicon-tile shield will be built to withstand up to 2,000°C during the probe's atmospheric braking manoeuvres, double the expected temperatures on atmo-

spheric entry. The leeway is necessary because of uncertainty about Titan's exact atmospheric makeup. Yet, regardless of outside temperatures, the oo-board experiments will hover around 10°C. Once the probe separates from the Cassini orbiter, it cannot be influenced by any radio signal from earth, as signals for the 1.5bn km trip will take 80 minutes each way.

assan says: "The last com-mand to separate is it. The probe operates on an elec-trical alarm activation system composed of three watches. And like all our components, the watches are radiation-hardened and redundant [fail-safe]."

A pyrotechnical firing mechanism, similar to plastic explosive, cuts the bolts to release the probe's heat shield and back cover, causing the first parachute to come into at shield and back cover, causing play. "There is the drogue (or pilot)

chute, the main chute and then the stabiliser chute with which we descend to the surface," says Has-

The whole thing flows with the wind although we do have a target area. There are gusts and we've designed for that. We tested the chotes in Sweden and when it landed there on snow, it was still working."

All date will be uploaded to the Caseini orbiter's solid-etate recorder, a recorder with no moving parts much like a computer mem-ory chip. From there the data can be sent back to Earth in an hour or so, at about the speed of a normal fax machina. If there is a magnetospheric dis-

turbance around Earth, the data will simply be downloaded from the orbiter on its next pass within radio range of Nasa's ground-based Deep Space (Receiving) Network. "The main phase of the mission is

the descent," says Lebreton. "So after it touches the ground, every-thing else is a bonus." It is a bonus that can come in less than a second, during which the probe will do a sophisticated surface analysis of the local atmosphere. And that's enough to keep theorists busy for

Tough times ahead for ceramics

Tom Mead looks at a new alumina that can withstand extremely high pressures and sudden shocks

Roswell, New Mexico. Ceramic-like material said to have been collected at the crash site could withstand sledge-hammer blows and cutting torches.

Now researchers at Michigan Technical University (MTU) have developed a ceramic that may rival the toughness of the supposedly extraterrestrial substance. Indeed, the properties of MTU's terrestrial high-strength aluminium oxide material appear ready to overshadow the legend.

Traditional ceramic material the stuff of coffee cups. telephone-pole insulators and ballet figurines – exhibits several interesting characteristics. It is easily worked into complex shapes, it is electrically insulating and it can withstand extremely high temperatures without deforming or crumbling.

But it is very brittle and, because cracks will propagate catastrophically, bas low resistance to shocks or sudden impacts. That combination of characteristics makes traditional ceramics simultaneously highly desirable and yet quite unusable in a number of applications.
At MTU, William Predebon and doctoral student Jim Staehler used

a proprietary mix of time, temperature and pressure to form a white, chalky-coloured, 2in diameter, %in thick disc of high-strength abumina - a refined cousin of the material used to make a coffee cup.

It was subjected to the usual -

erray of laboratory tests used to determine the properties of engineered materials. But, when ested for crush (uniaxial compressive fracture strength) and sudden-impact strength, the conventional test results reported a material with quite meonventional properties. "We couldn't fracture it," says Predebon. When the disc was subjected to a press exerting a rushing force that should have turned it to dust, the press reached its own limit before the

In the time-honoured tradition of science, a more powerful press

t is a matter of legend that in was then used. When this

1947 a UFO crashed near subjected the alumina to 50 per cent more quasi-static (ever-increasing) pressure than had ever been withstood by any alumina, the disc fractured at well over 800,000th of pressure per square inch (PSI).

There was nothing else comparable," concludes Predebon. Such concentrated pressure can be visualised as the weight of a 200-car stack of 4,000lb cars exerted on the face of a wristwatch. The test disc was so resilient that the researchers had to protect the working faces of the press with sacrificial plates made of tungsten carbide - one of the highest compressive strength materials available. Even the plates failed before the alumina. In addition to surviving

The material is : tougher than traditional ceramics and can absorb and withstand more energy without failing

extremely high pressures applied relatively slowly, the improved material also withstands sudden-impact stress better than any alumina tested. If the 800,000lb PSI is applied in a fraction of a second, the material's raction of a second, the material impact compressive fracture strength increases to more than 1.2m lb per square inch. From an applications point of view, the ability to withstand a sudden shock is related to its dynamic tensile strength. A material with high tensile strength has a high resistance to tension forces, which

tend to teer it spart.

The new alumina exhibits that characteristic, which gives it the ability to withstand sudden-impact stress. When the object (for example, an artillery shell) delivering the sudden-shock impacts, its energy is transferred radiates outward. When the

energy reaches the edges of the impacted material, it has nowhere else to go, and so tends to exert a massive stretching or ripping tension on the interior of the material

The new material, on which MTU owns two US patents, has about twice the dynamic tensile strength of conventional ceramics That may lead to its first application as armour on military tanks - interest has been expressed by the UK, Sweden and Germany for tank armour, as well as by the US Army Tank

The material is also 20 per cent tougher than traditional ceramics in that it can absorb and withstand more energy without failing, even in the presence of internal flaws which generally make materials more likely to fall. Pound for pound it is twice as strong as steel in compression. Finally, up to a certain point, as impact strain increases, so does its strength.
Potential applications

capitalising on its high strength and high temperature resistance include use in ceramic cutting tools, ceramic pistons, engine components and as a bioceramic -a smooth ceramic that can be used inside the human body. As for other future applications. Predebon says: "The one that looks very exciting at the moment is microwave transmission. If indeed we can show that our

material has the right electrical properties, such that it would provide an advantage over current ceramics for microwave transmission, it could have the same impact on that industry that optical fibres did for the transmission of light. "You send light down an optical

fibre, and the beauty of it is you get all the light out at the far end that you put in at the beginning: you experience virtually no loss. Similarly, when you send a microwave through a ceramic wave guide you want to be able to get all of it out at the other end.

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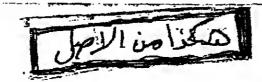
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The master of sublime despair

f Giacometti is one of the great figures of Modern Art, he is also one of the most singular. Developing as a sculptor within the common preoccupations of expressionism and surrealism between the wars, he became ever more particular and idiosyncratic in his work as ha became fixed upon the irreduclhle image and presence of the human figure. He founded no school and had no followers. Yet still, 30 years after his death, he is among the most widely known of modern art-ists, his spindly figures with their bleak, frontal gaze and their distressed, fraught flesh, the very image of the troubled and alienated modern psyche.

1.

Alter Make

For such an artist, any ret rospective, rather than fix npon particular shifts and diversions over a full career, will confirm instead the insistent, all but neurotic narrowing of interest to focus at upon the final, essential theme.
But this latest, exemplary show at Edinburgh does more than that, for by the clear chronology of its arrangement and the sympathetic mixing of the painting with the sculpture, it goes further than any show of Giacometti that I can remember in showing him nei-ther as painter nor sculptor. nor indeed as dranghtsman, hut as the truly integrated art-

ist he was. Sculpture may have been his dominant medium, but painting and drawing always served the same essential preoccupations no less seriously. If there are differences to point between them, they are differences of emphasis and attenattion consequent upon the nature of each particular medium. They do not call into question his fundamental consistency as an artist.

.. The work stands all of a piece, not only laterally across his practice of the moment, but from first to last. We look at the early portraits, in which

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the paint foreshadows directly the vigorously kneaded clay of the final sculptures. The Brancusi-like simplicity of the early abstract sculptures and near-abstract figures is sustained in the totemic standing figures and stele of the 1950s.

And always there is the nearssive concern with space, whether it is the pictorial space of the painter or the actual space of the sculptor. Figure and space are functions of the same existential truth. Of all modern artists, it is Giacometti who has probed,

William Packer reviews the Giacometti exhibition in Edinburgh

picked and nagged away at

Wa find him at it as much in the early facetted and monu-mental portrait heads of the 1920s, born out of cubism and constructivism, as in the later canvases with their attenuated figures that stare out at us so implacably from the grey mist. There it is in the splayed images of the surrealist sculp ture, in the later figures striding across their city squares, in the paintings of the empty studio, in the figures in their boxes, in their cages, on their nlinths and bases.

Sculpture, by its nature, is the more definitive for being actual, made of real stuff standing in real space. With Giacometti's sculpture, the sense is ever of that encompassing space pressing in implacably upon the figure. reducing and compressing it to the point of disappearance into the hlack hole. With the painting and drawing the sense is

the rich expressionist handling no less desperate, but only more tentative as the artist seeks, by his marks and signs, to establish and then invade the non-existent space of the imagination beyond the pic-ture-plane. Painting and drawing were for him an activity of enquiry, the matter only ed, never resolved. It is intimate work, scrappy, per-functory, informal, uncertain for all the intensity of the scrutiny of the subject. Line overlies line, change upon change, possibility after possibility, nothing fixed.

The painter can address alike the landscape bounded by infinity and close space of the studio or table-top. The sculp-tor, by contrast, is confined to his own physical compass. Which in the end is the more real? And in every work of Gia-cometti, the question is asked only to be left hanging in the air, the image always left off, incomplete. In the sculpture such indecision is only the more decisive – a paradox typical of art. The clay exists, occupies space, holds a form, is what it is. Just so is commitment made to the insoluble problem of the image, accepted and presented just as it is.

Giacometti was ever the surrealist, but never one of bizarre associations, psychological games and black bumour. Rather, his is the resigned and melancholic surrealism of the human condition, the individnal cast quite alone in space and time. His sublime despair is profoundly moving.

Alberto Giacometti (1901-1966): Scottish National Gallery of Modern Art, Belford Road, Edinburgh, until September 22; supported by The Stanley Thomas Jones Founda-tion, The Foundation for Sport and the Arts, Tha Henry Moore Foundation, Dunard Fund, The Swiss Cultural Fund, Crossair and Pro Helvetia Arts Council of Switzer-



Figures alone in space and time: 'Buste di Diego', 1949/50, by Giacometti

Sex Pistols: back on the offensive

Hardy used to crack a joke about having hecome his father: Young people's music today, it's not really music, is it? No proper tunes, no words you can sing along to . . " And theo the punchline: ". . In my day we had the Pistols and Buzzcocks." Sunday's Sex Pistols reunion concert in Finsbury Park (heralding a short tour and recorded for a live album) had much the same texture, with a clutch of today's pop-ular best combos being shown the door by a bunch of middleaged men who bad no right to be remotely as exciting.

Iggy Pop may be pushing 50, but easily outdoes Cliff Rich-ard in the Peter Pan stakes. The godfather of punk delivered a blistering collection of classics from the Raw Power and Lust for Life eras of the 1970s, interspersed with a few numbers from his current album Naughny Little Doggic. His would be a hard act even for the second coming of the Sex Pistols to top; as if recognising as much, whilst the stage was being set up for them the PA system blared out the blandly cheery pop which punk banished from the charts; the Brotherhood of Man, Leo Sayer, even - saints preserve us - the Bay City Rollers.

introduced by football hero Stuart Pearce, and bursting through an enormous collage of choice newspaper beadlines from the days of outrage, John Lydon slipped gleefully hack into his erstwhile persona of Johnny Rotten as the four Pistols launched straight into the most offensive of their old numbers, "Bodies". At the first chord this quartet of men in their 40s ("Fat, 40 and back" chanted Rotten defiantly), who last played together 18 years ago, turned Finsbury Park into one of the biggest mosh-pits in history: a crowd composed more or less equally of those keen to relive their past, those keen to buy into a venture which had last been a going concern in their infancy and

omedian Jeremy the merely curious, fused into a single seething, roaring mass, albeit one rapidly subsiding into breathlessness

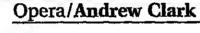
Diligently suppressing any signs of flash musicianship, drummer Paul Cook, guitarist Steve Jones and original basist Glen Matlock (sacked from the band in 1977 in favour of the incompetent but iconic Sid Vicious) Dercely got on with the job of reproduciog the Never Mind the Bollocks album, handful of B-sides and the Pistols's revered cover of The Monkey's "(I'm Not Your) Stepping Stone". The band in their heyday, though, were never this tight.

ut the evening was Rotten's. In an obscene plaid jacket topped off with a crown of spiky green hair, he paraded around his home turf like the infernal offspring of a catwalk model and the Child Catcher from Chitty Chitty Bong Bong, conducting the raucous massed choir (his own microphone could have failed witbout anyone noticing), winding the crowd up with lines such as "don't worry, its only Uncle Johnny and the hoys" delivered with Peter Cook-like snidery, and at one point sending a video cameraman scurrying off the stage with a well aimed kick. It was as one punter remarked, cabaret; a travesty of the original punk ethic, it was merely a hig, brash, nostalgic ritual... hut the pantomime-stroppy energy and the unholy row sent thousands of grown adults into frenzies of ungainly pogoing. The Sex Pistols are no longer the only game in town, but they are still among the most boorishly enjoyable.

Ian Shuttleworth

The Sex Pistols play (with varying support bills) Giasgow on July 16, Belfast (July 17). Dublin (July 18) and the Phoenix Festival (July 21). The Album Filthy Lucre Live is

heretic and a scoundrel"



A classic Arabella

he dream of meeting "der Richtige" (Mr Right), and the fulfilment of that dream in the fairy-tale world of imperial Vienna, are the stuff of Araleading lady, the opera has no more substance than a bloh of whipped cream. So the arrival of Miss Right, in the shape of the Canadian soprano Adrianne Pieczonka, is a cause for rejoicing at Glyndebourne, where she provides a gracious centrepiece for the first Strauss production in the new theatre. In her second summer on the Sussex Downs (she sang Donna Elvira last year), Pieczonka offers a fully-formed por-trait of Arabella, which puts her in a distinguished line of postwar interpreters.
From her first entrance she

orietly dominates the stage. with none of the blandness that can creep into one of Strauss's more insipid heroines. Pieczonka has the advantage of height and impeccable carriage, to which she adds femininity and calm self-awareness. This Arabella knows her

mission in life - she is no flirt - and has the intelligence to keep her cool when everyone else is losing theirs.

Above all, Pieczonka is a natural Strauss soprano. With its and all-embracing purity, the voice sits easily on the part, and has no problem projecting above the orchestra. The tingle factor is at work the moment she begins her preamble to the opening duet, and she knows how to caress her lines in the most captivating way. Pieczonka does not put a foot wrong the entire evening.

With the possible exception of Alison Hagley's Zdenka, who looks credibly boyish but sings with less than swallowlike ease, Glyndebourne has assembled a near-ideal cast for this revival of John Cox's much loved 1984 production. Building on his success as Covent Garden's Mandryka earlier this year, Wolfgang Brendel presents a more subtle suitor than most. He captures the Croatian outsider's rustic honesty without a trace of

coarseness, and sings with sim-

Bar taste, Artur Korn's vintage Waldner is paired with an Adelaide who could well be on HRT, so easily does Anne Howells justify the amorons attention of younger men. And scene-stealing cameo as the Cahbies' mascot.

Dietfried Bernet conducts with the clarity and refinement of a born Straussian, so that there is no mistaking the score's mercurial currents, baroque splendour and Viennese gaiety. He knows just when to relax the tempo, expand the phrasing and shade dynamics, and the London Philharmonic follows him all the way. Cox's production loses nothing in its transfer to the bigger stage: the sets are as handsome as ever, the comedy just as fresh, and Cox gives younger producers a textbook exampla of how to compose each scene.

This is a classic Arabella, classic Strauss and classic Glyndebourne.

Revival sponsored by Private Bank and Trust Company Ltd.

Barclays New Stages/Sophie Constanti

One man and the world

he small black hox that is the Royal Court's Theatre Upstairs - venue for the more compact shows in the Barclays New Stages festival does not readily suggest potenthat this has prevented the first two Upstairs productions in this year's festival from playing extravagant mischief with the theatre's restrictive

In his solo show, A Large Attendance in the Antechamber, Brian Lipson addresses his audience from within a cubicle-sized reproduction of a Victorian study - supposedly that of Francis Gaulton, founding father of Eugenics. The cubicle, no wider than the desk which fronts it, is heavy with paraphernalia and period detail: a ceiling rose, oil lamps and, of course, books. As Gaulton, or rather, as

Gaulton knowingly resurrected ("I was alive for 89 years, I've heen dead for 84 . . . things could change"). Lipson holds forth on an incongruous array of topics: the measure of fidget; how to collect "vital statistics"

from a distance; and scientific mastery over the afternoon brew. An eccentric intellectual operating within his own hizarre matrix of views, theories, concepts and formulae. Gaulton switches between ishing display of logic-chopping whereby he not only articulates tangential thoughts but expands them into a series of parallel ideas.

Some of these ideas - like the composite portrait of three sisters, designed to produce the more pleasing image of a fourth sister - reveal a man fascinated by photographic experimentation and delusion, and are harmless. Others like the base chart for a system of Eugenics: (i) no low stock reproduction, (ii) reward good reproduction, (iii) no charity are decidedly sinister. Lipson's Gaulton declares that his "only interest in this resurrection is to discover the fate of Eugenics", at which point the performer wisely elects to kill him off again. Lipson does oot so much inhabit Gaulton's ghost as become possessed by a man who was "widely vilified as a

In contrast to this elaborate miniature, Ocean of Storms, devised and performed by the Birmingham-based Stan's Cafe, is a journey into the void. Two women, Sarah Dawson and stranded in outer space. Darkness surrounds them, with an illuminated Chinese lantern globe a visual reminder of earth. In multiple fragments of characterisation, the women are momentarily the same people whose conversations they eavesdrop upon. A succession of voices break into the unknown orbit, monologues are abruptly truncated or fizzle out. These transient reassurances of human life are seized, dropped, lost and familiarities are suddenly seen anew. Whereas Lipson's show focuses on one man, Ocean of Storms, is a meditation on an entire world which bas been left behind: it enlarges the theatre space as magically as Lipson's Gaulton compresses it.

The Barclays New Stages festival runs until July 6 (0171-730



Adrianne Pieczonka: a natural Strauss soprano

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BERLIN

CONCERT Konzerthaus Tel: 49-30-203090 Staatskapelle Berlin: with conductor Carlo Maria Giulini perform works by R. Schumann and Brahms; 8pm; Jun 26, 27 DANCE

Staatsoper unter den Linder Tel: 49-30-2082861 Le Concours: a choreography by

Maurice Bélart to music by Le Bers, performed by the Staatsopernballett. Soloists Include Siepert, Stolz-Franke, Schroeder and Neary; 8pm; OPERA

Komische Oper Tel: 49-30-202600 Die Entführung aus dem Serait: by Mozart. Conducted by Shao-Chia Li and performed by the Komische Oper. Soloists include Heinrich, Korovina, Ruhmann and Conrad; 7pm; Jun 26

■ GLASGOW

CONCERT Glasgow Royal Concert Hall Tel: 44-141-3326633 The Royal Scottish National Orchestra: with conductor Bramwell Tovey perform works by J. Strauss, E. Strauss, Lehár and Suppé; 7,30pm; Jun 26

■ LONDON

world which seems to be getting smaller all the time as a result of CONCERT modern (communication) techniques. Barbican Hall Tel: 44-171-6384141 London Symphony Orchestra: with conductor John T. Williams simultaneously in the Wellington Art Gallery in Wellington, New Zealand. perform music from the films "JFK",

"Superman" and "Close Encounters of the Third Kind"; 7.30pm; Jun 26,

Royal Festival Hall Tel: 44-171-9604242

 Murray Perahia: the pianist performs works by Handel, Scarlatti, R. Schumann and Chopin; 7.30pm; EXHIBITION

Victoria & Albert Museum Tel: 44-171-9388500

 The Pre-Raphaelites and Early British Photography: this exhibition brings together drawings and watercolours by the Pre-Raphaelites and their followers; to Sep 29 OPERA. London Coliseum

Tel: 44-171-8360111 Der Prinz von Homburg: by Henze. Conducted by Elgar Howarth and performed by the English National Opera. Soloists include Peter Coleman-Wright, William Cochren and Susan Bickley; 7.30pm; Jun 26, 28

Royal Opera House - Covent Gerden Tel: 44-171-2129234 Nabucco: by Verdi. Conducted by Mark Elder and performed by the Royal Opera. Soloists include Cynthia Makris, Elena Zaremba, Gregory Yurislsch and Kurt Rydl. Part of the Verdi Festival '96: 7.30pm; Jun 26

LOS ANGELES EXHIBITION

The J. Paul Getty Museum Tel: 1-310-459-7611 Ten Centuries of French litumination: an exhibition of 20 manuscripts and single illuminated pages, presenting a survey of French painting in books, from the

9th to the 18th century. It includes richly illuminated books of many kinds, including scripture, liturgical and devotional books and bestiaries;

■ NEW YORK

CONCERT Avery Fisher Hall Tet: 1-212-875-5030 Viva Brasil: Zizi Possi and Paulinho da Viola perform Brazilian music; 8pm; Jun 28, 29

The Metropolitan Museum of Art Tel: 1-212-879-5500 Modern Glass as Art this exhibition, selected from the Metropolitan's collection of 20th-century architecture and design, explores glass as a medium for contemporary art and includes works made by a variety of techniques; to Oct 6

The Pierpont Morgan Library Tel: 1-212-685-0008 Documenting the Times: Selections from the Archives of the New York Times: exhibition commemorating the centenary of Adolph S. Ochs's purchase of The New York Times. With letters, manuscripts, photographs and early newspapers from The Times' own archives, the exhibition explores Ochs's journalistic mission to make the paper "the model American newspaper"; from Jun 26 to Sep 15

PARIS

EXHIBITION Centre Georges Pompidou Tel: 33-1-44 78 12 33 Gaetano Pesce: a retrospective exhibition devoted to this artist.

featuring furniture, objects and architectual projects; from Jun 26 to Oct 7

Musée Carnavalet Tel: 33-1 42 72 21 13

 Les Russes à Paris: exhibition focusing on the French view of the Russian community in the 19th century. The exhibits come from Russian and French museum collections and includa portraits by Winterhalter, busts by Carpeaux, manuscripts and humorous engravings; to Jun 30

■ SAN FRANCISCO EXHIBITION

SFMOMA - Museum of Modern Art Tel: 1-415-357-4000 Cut, Cast, Assemble: Contemporary Sculpture from the

Permanent Collection: exhibition of 16 large-scale sculptures from the museum's collection, including works by Alexander Calder, Richard Deacon, Luciano Fabro, Barbara Hepworth, Henry Moore and Louise Nevelson. This exhibition is the first since the opening of the new museum building in which the fifth floor is seen without inside walls, fully revealing the grand sweep of the museum's uppermost apace; to Jun 30

■ SPOLETO **FESTIVAL**

Associazone Festival del Due Mondi Tel: 39-6-3210288 Spoleto Festival - Festival del due Mondi: festival under the direction of Giancario Menotti featuring performances of lyric works, concerts, ballet, plays and films, exhibitions and conferences.

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TOKYO CONCERT

Suntory Hall Tel: 81-3-35751001

 Orchestre Symphonique da Montréal: with conductor Charles Dutoit and pienist Minoru Nojima perform works by Glinka. Tchaikovsky and Stravinsky; Tpm; Jun 26

■ WASHINGTON

EXHIBITION National Portrait Gallery Tel: 1-202-357-1915

• 1846: Portrait of the Nation: in celebration of the 150th anniversary of the founding of the Smithsonlan Institution, this exhibition describes the political, cultural and social character of America in 1846 by focusing on the leading figures of the time; to Aug 18

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Robert Taylor explains why trade unions are planning greater international co-operation

rade unions around the world are struggling to survive in the increasingly global economy. What limited power and influence they were able to establish after the second world war is being eroded by rising unemployment in the west and attacks on union rights in many developing and industrialised countries.

Their job has also been made much harder in the workplace. with the fashion for employ-ment practices that bypass collective bargaining. And tha decline of full-time, permanent jobs in large companies and the growth in part-time work in small enterprises has made organising workers in unions more difficult.

'Organised labour is under attack on a global scale and with an intensity never before experienced in its history," says Mr Bill Jordan, general secretary of the international Confederation of Free Trads Unions (ICFTU). "Unions at nation state level are seeing much of what they have achieved being undermined by global financial and industrial

His organisation, which claims to represent 127m workers in 136 countries, hopes to agree a new strategy to meet the challenge at its triennial conference which starts in

Brussels today. Union leaders are under no illusion that a renewal will be easy. "The basic values of trade unionism, sometimes even the need for unions at all, are being questioned in almost every region and every industry," says Mr David Cockcroft, general secretary of the International Transport Workers' Federation which celebrates its centenary this month.

Unions have always found it hard to co-operate across fron-tiers. Divisions of language and race - as well as economic and social inequality - make it difficult for them to agree on credible international policies. "Capital has become global

but trade unlons remain almost entirely locked in national perspectives. This has to change if unions hope to

win back influence in the realm of economic and social decision-making," says Mr Denis MacShana, the UK Labour MP who once worked for the international Metalworkers' Federation.

Before the collapse of the Soviet Union, politics erected a barrier between those unions that looked to Moscow for leadership and those that rejected mism. The end of the cold war has at least removed thet barrier to solidarity for international labour - leading to a more active, if tentative, search for policies to meet the challenge of globalisation.

For example, unions have

been campaigning more vociferously for the universal accep-tance of core labour standards by countries and global corporations. These would include the right of workers to create and join unions and bargain collectively with employers, together with the abolition of child and indentured labour and an end to discrimination in employment on grounds of gender and race. They have now won the support of the international Labour Organisation and the US and French

A recent campaign by the Foodworkers' International union (IUF) belped persuade PepsiCo, the US fast-food and soft drinks giant, Heineken, the Dutch brewery group, and Carlsberg, the Danish brewer, not to invest in Burma as a protest against the harsh

are organised at world level, they have not so far matched the effective globalisation achieved by capital'

'While workers

labour conditions there. And the metalworkers' federation which helped Polish Solidarity and the nascent South African labour movement in the apartheid era - has taken a leading role in pressing for worker rights in China and South

in Europe, unions have used European Union law to negotiate the creation of works councils for amployees in large transnational companies which they see as the first step towards global consultative forums. The foodworkers' international union has recently signed an agreement with Danone, the French-based food and drinks group, to create a worldwide information and consultation committee for

its workers. "While workers are organ-ised at world level (as indeed are consumers and environmentalists), they have not so far matched the effective glo-ballsation achieved by capital," says Mr Vic Thorpe, general secretary of the Geneva-based ICEM, the new international federation of unions that brings together chemical, energy and general workers with mineworkers.

However, unions are now taking their campaigns against large corporations onto the global stage. For example, the Postal, Telegraph and Tele-phone International launched an offensive against Sprint, the US long-distance telephone company, after it dismissed Hispanic workers at its San Francisco plant, allegedly for wanting to join a union. When the company later closed the plant, unions in Germany and France put pressure on their national telecom operators to force Sprint to adopt a code on labour standards as a condition for entering an international

Such sction was also used recently against Bridgestone, the Japanese tyremaker, when strikers at its US Firestone subsidiary were replaced by a aubstitute workforce, Unions in Turkey, Belgium and Japan organised strikes and pickets ontside the company's plants in those countries.

Unions are now using new information technologies such as the Internet and e-mail to work together more effectively. This will involve the creation of databanks to provide unions with information on specific global companies not available from other sources. Fast access to information is seen as a way of pursuing more aggressively targeted and selective campaigns against companies or governments that abuse work-

But Mr Jordan acknowledges this will take time and money and his resources remain limited at present. "If our campaigns are to succeed, the iCFTU must become the communications hub of an international trade union network."

Such developments can suc-ceed only if unions start growing again, however. In most industrialised countries, less than a third of workers are now in unloss, while the figure is under 10 per cent in developing nations. This will mean recruiting more vigorously among young workers, women, part-time employees, home-workers and the self-employed as well as those working in small companies where trade unionism has rarely been

Many unions are looking with hope to developments in the US where the AFL-CIO union federation has gained a new vigour under the presidency of Mr John Sweeney, the militant former leader of the Service Employees Union. It has adopted methods used in the freedom drives of the civil rights movement in the early 1960s, with young people sent out in teams across America to recruit new members. A \$20m fund has been cre-

ated for a project that Mr Sweeney has described as the "rebuilding of the American labour movement". Similar developments are taking place in Australia and Holland.

it were. Organised labour is trying to come off the defensive in the global economy. But the utopian call of the 1848 Commu-nist Manifesto - "Workers of the world unite" - looks as far away as ever.

·LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEI 9HL

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Tedium of immigration service on Eurostar

From Mr A.C.R. Elliott. Sir, Charles Batchelor's recent article on Eurostar, "New light in the tunnei" (June 10), did not cover one important aspect, namely immigration controls. For the most part, immigration officers in the UK carry out passport controls during the journey swiftly, efficiently and with the minimum of fuss. However, there are some Eurostar services without this facility. This results in a very tedious rueue at Waterloo International Terminal, which compares with the oneneing

time at Heathrow or Gatwick. On June 16, for example, the train from Paris, which arrived at about 18.50, resulted in a 45-minute wait for some passengers at the end of the advertised three-hour journey.
It Eurostar is to compete

with the airlines this is one on-board service to which it will surely wish to pay attention, arranging for immigration clearance on all

A.C.R. KIHott, White Gates, 12 Iclington Road, Surrey KT11 2NG, UK

Free trade target date essential to remove 'spaghetti bowl' of barriers

From Prof Jagdish Bhagwati, Prof Arvind Panagaraya, and others.

Sir, Recently the idea that the World Trada Organisation should have a target, such as 2015, to achieve worldwide free trade has been proposed independently by many, among them principally by Martin Wolf in your newspaper. It has been endorsed by Mr Donald Loberton OFCD's correctory. Johnston, OECD's secretary general, and by the UK's trade secretary, Ian Lang. There have also been indications of interest in the proposal by Mr Renato Ruggiero, director general, WTO.

As economists deeply interested in the future of the world trading system, and keeping in view the first WTO ministerial in December in Singapore and the opportunity it presents for undertaking a significant initiative on trade. we and a group of economists worldwide would like to lend our support to the idea and to urge the member states of the WTO to make the endorsement of such a WTO target their first priority. Among its advantages, a few are significant.

While consistent with Articla 24 of the General Agreement on Tariffs and Trade, there are now so many preferential trade arrangements (PTAs) such as North American Free Trade

Agreement and the European Union's numerous free trade areas with other countries, that a virtual "spaghetti bowl" of criss-crossing preferential trade barriers has arisen, with different duties applying depending on which country the product being imported is

We are therefore in danger of reproducing the chaos created by the absence of most favoured nation status during the 1930s, produced then by protectionism but now, ironically, by free-trade intentions. Given the politics that often drives these PTAs, any attempts at reducing their spread do not seem to be likely to succeed. While some of us have indeed suggested reforms in Articla 24, and in disciplines such as the use of anti-dumping duties on non-members, as ways of minimising the adverse effects of the preferences that the PTAs inherently imply, the worldwide achievement of free

trade appears to be the most effective remedy. The reason is that preferences relative to zero duties are zero: preference would be effectively killed at Then again a principal advantage of PTAs, which

trades-oriented businesses in

particular, is that they offer

seems to attract

target dates that will lead on schedule to ultimate free trade, albeit within a limited area. By contrast, the Gatt/WTO lurches from one round of multilateral trade negotiation to another, the end of a round never linked for sure to the start of another, as is in fact the case again with the end of the Uruguay Round.

A WTO target would thus cut through this fundamental weakness and simultaneously liminate multilateralism's chief disadvantage vis-a-vis the inherently discriminatory PTAs, contributing to the current efforts at restoring the primacy of the WTO in the

world trading system. It would also set the WTO firmly on to the task of completing the agenda of worldwide free trade, an objective which Gatt pursued diligently through successive rounds of multilateral trade negotiations and whose advantages have been demonstrated by nearly half a century of experience.

Jagdish Bhagwati, Department of Economics, Columbia University, New York, NY 10027, Arvind Panagariya, Centre for International University of Maryland, Maryland 20742-7211. US

More than money cements relationships of EU members

From Mr Jerry Zondervan. Sir, I would like to comment on Martin Wolf's article Thinking the unthinkable" (June 18). Mr Wolf fails to take into account what I see as a very important point - the EU is not only about money; indeed, it would be very sad if

There are many other aspects which are just as important, such as the freedom of people to move, to get to know each other. Mntual understanding is followed by tolerance and maybe

friendship or marriage rather than hostility. How about education? This

was not mentioned even once by Mr Wolf. Programmes such as Erasmus are a creation of a united Europe, as is the "Euroguichet", created to help consumers work ont problems in transnational purchases. As before, mutual understanding. Or again, how about the fact

that many people consider themselves as European citizens first, and only then citizens of a certain nation. This is certainly so in my case.

I am first and foremost a European citizen; then I am a Dutch citizen. I currently live in Switzerland, which is notoriously not part of the EU.

The difference in the relationship between, say, Luxembourg and Belgium (no borders, linked currencies, as full a recognition of each other's study titles as of any other EU title), is very marked when compared with Switzerland and its neighbours (full border checks with waste

of time and money, currency

completely dissociated no mutual recognition of studies . .). Finally, I would say this

(which many people in the UK may not like): the EU can live very well without the UK, although it would be a great cultural loss to us all, but can the UK say that it can live without the EU? I strongly doubt it.

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J.S. Zondervan, Vla Ponte Vecchio 18, 6982 Agno, Switzerland

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Superpower's supreme test

According to a recent report from Britain's Treasury, the US could be overtaken by China as the world's biggest economy by 2015. Quibbles over the date aside, there is some piquancy in the source. With the possible exception of imperial Rome, history's best example of a fallen superpower is Britain Itself.

The decline of America is not a new theme, but this seems a perverse time to advance it. The challenge of China, though real enough, is still some way off. In recent years, more immediate threats to US eco-nomic supremacy have faded

In 1988, for instance, two specific threats were identified by the Yale historian Paul Kennrate his book The Rise and Foll of the Great Powers (HarperCollins, 1985). America, he said, was suffering from "imperial overstretch": that is, it was spending more than it could afford on defence. At the same time, its industrial and technological lead was being

challenged by Japan.
Eight years on, the US
defence budget has been slashed, while Japan is in at least temporary eclipse. Above all, America stands over the rubble of communism as the purest exponent of the world's dominant ideology - freemarket capitalism.

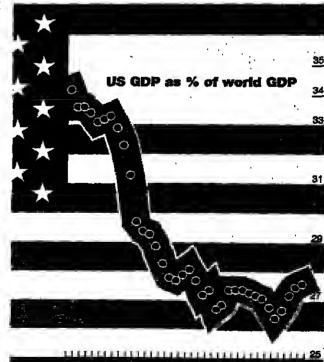
The question is whether this is merely a temporary reversal of a longer-term decline. History shows that nations can command disproportionate power for remarkable spans of time. It also suggests they can-not do so indefinitely. In America's case, the dispro-

portion is primarily economic. With under 5 per cent of the world's population, the US produces over a quarter of world output. In the long run, this is not sustainable. The UK remains the most Instructive parallel. It is tempting to think of British suprem-

acy in the 19th century as essentially military, if only because the British often thought so themselves. But at its peak around 1860, Britain's military spending was tiny, at around 2 per cent of gross national product. The real basis of its dominance was eco-

in the 1880s, Britain's share of world output was not far short of America's today. For a small island off the coast of Europe, this was wildly anomalous. The figure today is 4 per

Tony Jackson on the US economy's position among world leaders



grounds. The US population is several times larger than Britain's. Its territory is also much bigger, richer in resources and easier to defend. That is only partly relevant. Compared to Britain's 2 per cent of world population in the 1860s, America's 5 per cent today is hardly overwhelming. Granted, the US share of the world's educated population is is to go the way of Britain's, it much bigger again; but that was equally true of 19th century Britain.

America's natural resources are a dwindling advantage in an information-based economy. Agriculture makes up just 2 per cent of its output. The US has off, but so has Russia. As for the undoubted security of America's borders, that has not stopped it occasionally spending beyond its means on

The analogy with Britain can be extended. In today's world economy, America's strongest cards are its near-stranglehold on information technology, and its dominant position in international finance. In the mid-19th century, Britain had a similar grip on the corresponding technology, steam power. It also dominated world inance. Wall Street now privatises eastern Europe: London then financed railways and roads around the globe from South America to China. But if American supremacy

will not do so all at once. Seen in retrospect, the decline of nations can seem a continuous process. The reality at the time is a stop-go affair, much harder As far back as 1929, America's share of world output was not far from its present level.

With the onset of the Depres-alon, it fell sharply, ft than rocketed again in the second world war, while Europe's plunged. By 1945, America's share of world output peaked at around 40 per cent. The subsequent decline lev-

elled out around 1980, as shown in the chart (measured in constant dollars, to avoid exchange rate distortions),

Since the early 1990s it seems to have grown again, due partly to the successful-restructuring of US industry and the beating back of the

Japanese challenge.
That, too, is not without parallel in the British experience. As Paul Kennedy points out, Britain produced a similar response to the industrial chal-lenge of Germany in the years before the first world war: alarm to begin with, then an outburst of effort on education and training, which for a while proved successful.

There is perhaps one encouraging lesson to be drawn: the length of time between the first scent of trouble and its coming to pass. Britain still counted as a great power at the end of the second world war. But the most striking foreshedowing of its decline, Kipling's poem Recessional - "Lo, all our pomp of yesterday/is one with Nineveh and Tyre" - was published in The Times of London

50 years before, in 1897. Then again, the world is speeding up. US industrialists will tell you that today they can enjoy the fruits of a new technology for only a few years, where once they could have counted on leadership for

This is particularly true of information technology. In the 19th century, the manufactur-ing knowhow associated with steam power took a lifetime to master. But software innovators - like mathematicians or chess players - can reach their prime in their early 20s. It may take generations for Silicon Valley to be challenged by Shanghai or Bombay, but tha generations may be only five

or 10 years long. As Britain has found, being pushed from the top position is bruising for the ego. It may also put extra strain on social cohesion, which in America's case is a separate issue going far beyond economics. But there is one final source of

Economic decline can be an entirely relative concept. Average wealth in the UK - as measured by output per head - is still only 25 per cent below the American level. Well over half the world's population star-vives on less than a loth of the US figure: some on very much

china may or may not become the world's biggest economy. From the viewpoint of most people on the planet, America will romain as stun-

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday June 25 1996

A marriage in haste

Arranging e shotgun wedding between Aérospatiale and Dassault may seem appealing to strategists in the French government, hnt it is far from clear that a mar-riage made in haste will lead to a long and fruitful relationship.

From the point of view of a government fearing its aerospece industry is falling behind its international competitors, there are superficial attractions in putting the two companies together. Britain's stake in Airbus is held by its military aircraft maker, British Aerospace, and the same is true of Germany in the shape of Daimler-Benz Aerospace. What could be more natural than creating a French entity which could then negotiete on equal terms with its European partners about joint ventures or even mergers?

THE CHAPTER

A . Burnet again

To back up its arguments for cohabitation, the government also has plenty of ammunition. Aeros-patiale will continue to need state funding for many of its programmes. Dassault, meanwhile, is at the mercy of the government both for orders of its new Rafale fighter and, crucially, for support in winning export orders. If President Jecques Chirac wants the merger to happen, there is little doubt that he can make it so.

Yet there are good reasons to be concerned about the deal. Dassault and Aérospatiale have little in common; from a business perspective, a merger would neither cut the enlarged company's costs nor add to its capabilities. Worse, reform, seems likely to win con-trol of Dassault, a company which has half an eye on the discipline of the marketplace. The fear must be

If all of this were a prelude to an

with the US.

Prance faces important choices allowing Dassault and Aérospatiale to negotiate with potential partners separately. If it remains intent on this merger, however, it must not create a structure which Aérospatiale, an organisation deters the genuine rationalisation badly in need of extensive which is still to come.

Thamesside

"Earth has not anything to show more fair," was William Word-sworth's reaction to the "beauty of the morning" as seen from West-minster Bridge in 1802. "Ships, towers, domes, theatres, and temples lie/Open unto the fields, and to the sky."

Nearly two centuries later, the absence of fields is understand-Me. Devoid of smog and smoke, the London sky is probably clearer than at any time since the early 19th century. But is hard to see Wordsworth's heart leaping for iov at the "ships, towers, theatres and temples", not to mention the bridges. Somerset House certainly. Big Ben perhaps. But the National Theatre, the Hayward Gallery, Hungerford Bridge and the Embankment are unlikely candidates for "A site so touching in its majesty". And the view from most other central London vantage points on the Thames is not

even as good as that. Mr John Gummer, the environment secretary, is therefore to be congratulated for attacking "mediocre or insensitive development" on the Thames and making its restoration to the centre of London life a prime planning goal. On its own his riparian planning guidance, issued yesterday, will not transform the riverside. But if it ects as a check on insensitive development and an instrument for lifting the sights of borough planners to the potential of Thamesside, it may do some good. However, a bigger question

looms. As Paris demonstrated so forcefully with its grands projets of the 1980s, a strong governmental lead can work wonders in raising the quality and prestige of city centre development ecross the board. This requires money up front. But investment funds for prestige London projects are not in short supply since the National Lottery was created in part as a vehicle for glorifying London's

elite cultural institutions. Several large Thamesside projects, headed by the Millennium lery at Bankside, have attracted lottery millions or look set to get them. Mr Gummer should regard these as Thames tests.

Behind the Paris grands projets stood President Mitterrand and Mayor Chirac. Mr Gummer is trying hard at being Minister for London, but he would not place himself in the same league. London needs a dedicated champion with vision and clout.

The great majority of Londoners believe that the best way to get one is through some form of citywide elected authority. Last week London First, e promotion group supported by most of the capital'a husiness interests, declared itself in favour of a directly-elected Governor for London to tackle large strategic questions such as the future of the Thames. It would not be e panacea. But it might do something to improve the view from Westminster Bridge - and

that the unreconstructed Aérospa-tiale will overwhelm Dassault.

early restructuring of the European aerospace acene, which would put the industry on a more viable footing, that might not matter greatly. But progress remains painfully slow, the external disciplines of foreign management are thus unlikely to be felt in France

France could be using that time to rationalise its aerospace indus-try as BAe and now Dasa have done. Instead, it has focused on creating an artificial entity in the belief that scale alone is enough to make potential pariners pay atten-tion. That may actually be count-er-productive if the financial structure and business organisa-tion of a combined Dessault-Aérospatiale makes it unattractive to potential partners. Europe's aerospace industry would then remain splintered and unable to compete

Pop" whose 1982 release, Thriller, sold an unprecedented 45m copies. The gamble was the marketing camwhich will have ramifications for tha rest of the European industry. paign to launch HIStory, the sing-Its interests, and those of its partners, would be best served by er's first album since his career had

been thrown into question in 1993 by allegations of child sex abuse. HIStory has sold 11m copies – impressive by the standards of most pop stars but well below previous sales by one of the best-selling pop

singers of all time. The scandal thus eppears to have had a negative impact on his career, though not a But the sales decline may illustrate more than one star's bruised reputation. It also reflects the fad-

t is just a year since the executives of Sony, the

global electronics and enter-

tainment group, launched a \$30m gamble on the future of

one of their most valuable corporate

The asset was Michael Jackson, now 37, the self-styled "King of

ing fortunes of the US and UK singers and groups that have dominated the \$40hn (£26hn) global music market since the mid-1950s. Michael Jackson is perhaps the

archetypal global superstar having harnessed plastic surgery to erase traces of his original age, gender and ethnicity. And even by the standards of other leading artists his commercial record is extraordi-

He has been a performer since the age of five, when he and his brothers competed as the Jackson hometown of Gary, Indiana. As a solo artist, ha has sold over 100m albums for Sony - a feat matched by few acts other than the Beatles, Elton John and the Rolling Stones. All record companies need super-stars to strengthen their stance in negotiations with retailers and broadcasters. Other Sony artists have achieved global euccess -

Bruce Springsteen and George Michael in the 1980s, Mariah Carey and Celine Dion in the 1990s. But their sales have not matched Michael Jackson's and his value to Sony was reflected in his contract with the company. Most pop stars receive royalties of less than 15 per cent of their wholesale record sales after deductions

for video production and marketing. As sales rise they can negotiate higher royalties – and a few stars who are successful globally, such as Madonna and George Michael, can demand 20 per cent royalties as well

Sony's decision to invest \$30m in promoting Michael Jackson's latest album has produced disappointing results, says Alice Rawsthorn

as contributions towards video and

promotional costs. But when Michael Jackson renegotiated his Sony contract in 1991, he secured an unprecedented 22 per cent royalties. This included \$5m in advance and the company also agreed a \$12m contribution to video costs for each of six albums. His success in the 1980s had played an important role in establishing Sony's music division as one of the "big five" groups which control over 80 per cent of the global market - the others are PolyGram,

Warner, EMI and Bertelsmann.
At first, Sony's confidence seemed to pay off when Dangerous, his 1992 album, sold 23m copies. However, disaster struck in August 1993 when the Los Angeles police began inves-tigating claims that the singer had sexually abused a 13-year-old boy. The charges were dropped, but only after he reportedly paid \$20m to the

boy's family.

The world tour to promote the album was cancelled and Michael Jackson checked into a clinic to be treated for painkiller addiction. He then began a global game of hide and seek with the press culminating in his secret marriage to Lisa-Marie Presley, daughter of his idol, Elvis. The singer was already regarded as eccentric. His extensive plastic

surgery, spending sprees in toy shops and friendship with Bubbles, a chimpenzee, prompted the British tabloids to dub him "Wacko Jacko". But allegations of child sex abuse cast his behaviour in a different appeal to children - one of his greatest commercial strengths so far as Sony was concerned. Children are an important target in the

entertainment market: their spend-

ing power - or, rather, their parents' - tends to be higher than that

Michael Jackson's album sales* Off The Wall 1979 1982 4 ----1991 HSStory 1985 11m

· All solo sibume recorded for Sony Music

of the students who follow fashioneble acts, such as Oasis, the Britpop

Out of tune with the times

band signed to Sony.
Similarly child-oriented stars are likely to clinch incrative tour sponsorship and product endorsement deals, as Michael Jackson did with the PepsiCo drinks group. Hence a child abuse scandal imperilled one of his chief sources of income. Sony was willing to gamble that his popularity would survive. The company thus invested \$30m on a marketing campaign to launch HIStory, a double album combining a greatest hits package with new

he promotion included floating giant Michael Jackson statues on eight European rivers and a heavy investment in publicising the singles taken from the album - with a \$7m contribution towards the cost of making a video to promote Scream, the first.

The company also subsidised sales of a cassette version of the second single to be released from the album, You Are Not Alone: it was sold in the US for 49 cents, against the standard \$3.49 price of a

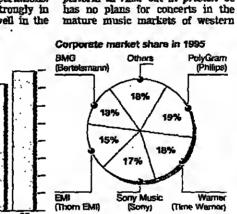
compact disc single.

Although it became one of the best-selling Michael Jackson singles, with global sales of 2.4m, the deep discounting means Sony is unlikely to make a profit on it. Moreover the 1995 best-selling singla, Coolio's Gangsta's Paradise, sold 25m in the US alone.

losses on the singles - singles rarely make money but can promote the success of an album. But the 11m sales of HIStory over the past year are below expectations. And while it has sold strongly in Asia, it performed less well in the

Global music sales (Retail)

40-



US, where it attained sales of 1.9m Europe and north America. by the end of 1993. This compares One problem in organising the One problem in organising the with the 7m copies of Cracked Rear tour was raising commercial spoo-View by Hootie & The Blowtish, the sorship to offset the costs, as former previously obscure Warner group.

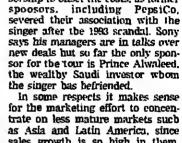
Sony claims that sales to children have beld up, possibly because their parents did not pass on details of the scandal. However it admits that Michael Jackson has lost popularity among the 15 to 25 age group. For example, when Jarvis Cocker of Pulp, the Britpop act, protested egainst Michael Jackson's "Christlike" performance et the Brit music awards in February, the gesture

found widespread sympathy. Sales of the album may also have been hampered by the singer's reluctance to conduct the usual round of media interviews after its launch, fearing questions about the 1993 scandal and his divorce from Lisa-Marie Presley after two years of marriage. The family of the allegedly abused boy recently issued a writ against him for remarks made during e television interview last

"Michael Jackson's down, but not out," says one US label head. "The allegations baven't destroyed his

career but they have damaged it."
One consolation for Sony is that other 1980s superstars fared as badly in 1995 - notably Madonna, whose Bedside Stories album sold only 1.1m copies. And the company claims *HIStory* is "still in the first stages" and that sales will accelerate this autumn when he starts e

fuelled album sales but so far only nine dates have been announced mostly in eastern Europe and north Africa. Michael Jackson will also perform in Asia but at present be



sales growth is so high in them. Music Business International, the industry magazine, predicts that north America's share of music sales will fall from 34 per cent to 28 per cent in 2001, while that of Asia (excluding Japan) will rise from 3 per cent to 12 per cent.

Other US stars have already successfully boosted domestic sales by nurturing emerging markets, nota-bly Bon Jovi, PolyGram's rock group which tours relentlessly in Asia. However the profits on sales in emerging markets are often depressed by the intricacies of local distribution systems and the activities of pirates selling bootleg copies

of albums. There are also signs that Asian and Latin American consumers are losing their taste for global super-stars. Musical taste has become increasingly nationalistic during the 1990s. The US charts are dominated by Coolio's rap and Hootie's ent is outselling US and UK artists in Asia and Latin America.

This change in taste is unlikely to affect the balance of power in the industry since the new stars are generally signed to the "big five" western labels. Hong Kong's Jacky Cheung is on PolyGram, for example, and China's Dadawa on Warner, And Sony has already found another crop of chart-toppers which it is now nurturing, including Tube, the Japanese band, and The Fugees, the US and Haitian hipbop act.

But the success of these new stars in regional markets does little to belp established global superstars sustain their careers. While Sony is signing up new singers in the emerging markets of Asia, Africa and Latin America, Michael Jackson's attempts to restore his popularity look unlikely to succeed in an era when his brand of pop star is going out of style.

Votes in whales

In the television age, gruesome pictures of killing can sway electorates and attract shoals of politicians ready to snap up easy votes. By providing the pictures, sometimes with lurid commentaries anti-whaling campaigners have helped to move some governments from a purely pragmatic opposition to whaling to more extreme

Mr Tony Baldry, the UK fisheries minister, is the latest to colour his views on the subject with day he told the International Whaling Commission's 48th conference in Aberdeen that the UK would oppose the killing of whales even if their numbers recovered enough to allow sustainable harvesting. The UK believed, rather, that whales were an "international resource" to be exploited in non-lethal ways"; in other words, for e special form of tourism.

This might seem an attractive proposition: whales are blologically much closer to man than any other creatures of the sea, having, not only lungs and hot blood, but large brains and, probably, high intelligence. Nevertheless, saving the whales on auch grounds is quite a different proposition from objecting to commercial exploitation on the grounds that they may become extinct. Aside from the logical difficulties of Mr Baldry'a position, (ahould salmon, grouse and stags be exploited in "non-lethal ways"?), it is likely to be

on whaling since 1986 has been supported by well argued evidence. The numbers of larger whales, such as the blue whales and right whales, were then mea-sured in hundreds. Their recovery will he slow since, unlike fish which produce millions of eggs, whales produce only one or two calves a year with a long period of infancy.

The smaller minke whales, now being harvested by Japan and Norway, are more numerous however. Although counting methods are highly uncertain, the population in the North Atlantic might be of the order of 100,000, with perhaps 750,000 in the southern ocean. Against those figures. Norway's catch of 215 whales last year and Japan's total of 440, might appear modest.

Estimates vary as to how many minke whales can be killed while allowing the population to recover. Cantion should prevail and the lowest number might still be zero. However, the IWC has to recognise that Norway is likely to continue to break its moratorium. while Japan shows no intention of abandoning the fiction that it needs to send factory ships to the Antarctic for "scientific purposes". By facing this reality, the IWC will have a better chance of controlling catches and ensuring that whales are no longer subjected to unnecessary cruelties, such as death by electric lance. The UK should concentrate on such issues rather than on popular sentiment.

OBSERVER

Spanish practices

M Spain's new Popular party government may be moving towards e more open economy, but it's not doing much for political tolerance. Staff changes at state organisms don't stop at the top jobs. In the RTVE broadcastlog authority, for instance, they reach

deep into the organisation. Prime minister José Maria Aznar has evidently not forgiven an uncomfortable TV interview he had during the election campaign

in February. Parties then had trouble agreeing on an interviewer for the . main candidates, but they finally settled on Jose Antonio Martinez Soler, a well-known presenter, who had just been sent to New York as Spanish state TV's.US

correspondent. Martinez Soler, 49, may now well : be kicking himself for a lapse in tact during the Aznar interview, when he referred to the Popular party's old guard as "Jurassic.

A former fellow of Harvard University's prestigious Nieman journalists' programme, he had also clashed with the previous Socialist administration. Before that, shortly after General Franco's death, as a young magazine editor, he was kidnepped, tortured and subjected to mock execution, after writing an article about the

That's progress for you.

Small beer

Pure genius it wasn't. The Cern atom-smasher, the world's largest racetrack for sub-atomic particles, and Europe's main claim to fame in world-class big science, was recently halted for five days - by two empty beer bottles.

The accelerator, a 27km ring under the Franco-Swiss border, where sub-atomic particles are smashed together at close to the speed of light, began to fail for no apparent reason a week ago.

A team which entered the

accelerator found the two bottles in a vacuum chamber. Small beer, you might think but their presence will apparently cost 10 per cent of experimenting time in

the next year.
And the beer in question? Heineken. A clear case of life imitatine art as its slogan has it, reaching the parts other beers cannot reach.

Too compatible IBM has lost no time trumpeting

the deal it's done to distribute Storage Tek's big disk drives C'Announcing etter smarter faster cheaper ways to safely store all the information

paramilitary Civil Guard. This time on the planet.). But its shullience be has merely been sacked from brings a wry smile to those who remember the ding-dong battle the two companies fought in the 1990s.

So fierce was the battle in the ingrative market for IBM-compatible disk drives for mainframe compoters that Storage Technology (its formal name) ended up in chapter 11 in 1984. It made a successful cometack, but suffered lengthy delays in developing its new range of s -age devices.

And now it seems IBM is to become Storage Tek's main disk-drive distributor - a sign, to veteran watchers of Big Blue, that the company really has changed. In its new mood of come all-ye generosity, anything seems possible - reselling compute from those other veterans of the plug-compatible wars, Amdahl and Fulltsu, perhaps?

Idiomatic view

M Now the latest news on the surreptitious but seemingly unstoppable campaign to make German the third official language of the European Union, alongside English and French.

Monika Wulf-Mathies, EU commissioner for regional affairs in Brussels, revealed in testimony to the Bundestag last week that the European Commission has just sent out questionnaires to all central and eastern European countries wishing to join the EU in English, French and, ja, German. Once the communist regimes in stern Europe collapsed in 1989, Rossian went the same way as the Red Army. German became more or less e second language in the Czech republic, Poland and Hungary.

So you'd have to be pretty naive to wager a bottle of schnapps on German not being an official language by the time the first group of central European countries join the EU, around 2002.

Cyberdons to arms

■ Ireland's wily literary scholars are finding the Internet is mightier than the pen in their battle to save one of the many houses lived in by James Joyce in Dublin.

Developers plan to demolish the house, in the suburb of Drumcondra, and replace it with apartments. The Drun, condra house is one of 17 house, the Joyce family lived in around Dublin, and is fulsomely described in Joyce's A Portrait of the Artist as a Young

Since campaigners to save the house put the issue on the Internet, Dublin Corporation has been swamped by irate messages from Joyce scholars round the world. One US academic (quoted by the Irish Times) even said be was ready to "head over to Ireland to start a war" in order to save the house. Another Irish war, brilliant idea, exactly what it needs.

Ginancial Times

100 years ago The Canadian Elections

The General Election yesterday, after one of the bitterest Dominion, resulted in the defeat of the Government. This is due mainly to the remarkable change in the province of Quebec, which has returned 17 Conservatives and 47 Liberals, as compared with 31 Conservatives and 34 Liberals in the last Parliament. The results give the Liberals a clear majority of 36. Candidates elected include 83 Conservatives. 119 Liberals, two Patrons of industry, four independents and four McCarthyites.

50 years ago Polish War Debt

The Polish-British financial agreement concerning the settlement of Polish war debts in Great Britain was signed at the Foreign Office yesterday. After the signing, the chairman of the National Bank of Poland, Mr. E. Drozniak, said: "My opinion is that this settlement is shaped in terms favourable to both sides. We have already started a discussion concerning a monetary and transport agreement, and I think that in the near future talks concerning a trade agreement should be

counter-productive, The IWC's ban

LAWYERS FOR BUSINESS



Israel lifts interest rate to combat 15% inflation

By Yaroslav Trofimov

The Bank of Israel yesterday lifted the country's key lending rate by 1.5 percentage points, sending a strong message to the government of Mr Benjamin Netanyahu that it must quickly tackle economic problems and implement budget cuts.

The rate was raised to 17 per cent, its highest level for almost two years. The central bank said the increase was needed to curb the inflation rate, now 15 per cent and well above the government's target rate of 8-10 per

"Real interest rates are relatively low, and are currectly on a downward trend," the bank said. The increase in interest is imperative in light of the economic indicators that point to an inflationary environment."

Mr Jacoh Frenkel, the bank's governor, said the move was meant to give the government "breathing room" until budget cuts promised by the incoming government were implemented.

GM, Renault

plant in eastern France, GM would eell those vehicles

throughout Europe, also under

the Opel/Vauxball names. These

larger vans will replace Renault's

Master model, already built at Batilly, and will not be a joint

The two companies said yester-

day that a letter of intent

had already been signed and that

a final agreement, setting out production sites, was expected to be in place before the end of

The development of the new

panel van will be undertaken pri-

marily by Renault because of its

long and unbroken commercial

vehicles experience. Both sides said an assessment

of production arrangements was only just beginning. "Various alternatives are under discus-

Russian poll

emphasising he would win the

elections in a straight fight on a

non-Communist platform. In an attempt to win over some

of Mr Yeltsin's supporters, Mr Zyuganov offered senior govern-ment jobs to Mr Yuri Luzhkov.

Moscow's populist mayor, and Mr Murtaza Rakhimov, leader of the Bashkortostan republic.

Mr Luzhkov, who held talks

with Mr Zyuganov yesterday, cat-

egorically refused to join any

government of national unity led

Before the meeting, Mr Luzh-

kov warned that a Communist

victory would inevitably speli a

return to confrontation reminis-

cent of the cold war and to politi-

by the Communist leader.

sion," GM said in Zurich.

Continued from Page 1

Continued from Page 1

While Israel's budget deficit running at an estimated 3 per cent of gross domestic product, is moderate by international standards, economists say the figure is high because a large part of government spending is financed by transfers from other coun-

After yesterday's rate increase, Mr Netanyahu called a meeting with Mr Frenkel and Mr Dan Meridor, finance minister. A statement from the prime minister's office said it was decided that a formal proposal ontlining

By Pattl Waldmeir in Nashville, Tennessee

Mrs Hillary Clinton stepped from

the podium into the warm

embrace of her husband, the president. The first couple

stopped for a moment to gaze lov-

The message was clear - forget

all the murky charges of sexual,

financial and legal misconduct

The Clintons were in Nashville yesterday, addressing a confer-ence on families and doing what

they do best - bonding with the

American people over an issue

which touches every middle-class

life, the strains between work

Both the nation's first and sec-

ond couple - vice-president Al

Gore and his wife Tipper -

addressed the fifth annual "fam-

ily reunion" in Nashville, an

event devoted to the problems of the American family. The two couples strode on to the stage

together, like the handsome Baby

The audience was already on

their side - a group of self-described family and child advo-

cates - so the welcome was

warm. But when Mrs Clinton

stepped to the podium, the loud

applause kept her silent until she finally insisted it stop.

"Shortly before I arrived, I had

one of my conversations with

Mrs Roosevelt," she began - a reference to the weekend furore

provoked by a new book detailing

her imaginary conversations with

Boomers that they are.

element.

ingly into one another's eyes.

swirling back in Washington.

Family values put

moral high ground

Clintons back on

the budget cuts would be presented soon.

For Israel to become one of the leading economies of the world, it is necessary to cut government spending in light of the big deficit that has accumulated in the state budget," the state-

Israel's business leaders criticised the increase. They said a stronger shekel would stall the growth of the country's exportdriven economy and worsen its gaping trade deficit. The Israeli currency rose yesterday to Shk3.231 against the US dollar from Shi63.266 on Friday.

Mr Dan Propper, president of the Manufacturers Association,

said the interest hike "will bring the economy to a recession."

However, the Tel Aviv Stock
Exchange's Mishtanim index of 100 top companies registered only moderate drop on the news, falling by 0.68 per cent from 203.1

Christopher picks up Mideast peace baton, Page 4 World stock markets, Page 38

loved her for the self-deprecation.

nancy, and affecting tales of how she balanced the demands of hav-ing a sick child (Chelsea, now 16) with the duties of being a trial

lawyer back in Arkansas. The

first lady ended her address with

a call to all public figures to say

nothing on television or radio

"unless it is good for children",

and the crowd loved that too.
Europeans might be mystified by the American obsession with

talking about children - not their

own children, but the institution

of childhood - but middle-class

voters love it. They loved it yes-

terday in Nashville, and the 150

nected to the convention centre

bad news for the Clintons on the

moral front - including the con-

harassment against the presi-

dent, the first lady'e Whitewater troubles and the FBI files contro-

versy - both obviously drew strength from the reception. "I

think you can all tell that we're

kind of into this," Mr Clinton

said, as he announced proposals to give parents mandatory time

off to attend school meetings and

take their children to the dentist.

speaker, and praised them for their courage. Then he proposed to do what he could to ease their

pain. It the perfect antidote to a

Clinton wins time, Page 5

week of Whitewater.

FT WEATHER GUIDE

He held the gaze of every

tinuing allegations of sexual

After 10 days of relentlessly

by satellite.

She told jokes about her preg-

Talks on nuclear test ban reach deadlock

By Frances Williams in Geneva

Talks aimed at concluding a comprehensive nuclear test ban treaty by Friday have run into trouble over the conditions under which the pact would come into

Britain, Russia, China and Pakistan have rejected moves that would enable the treaty to begin working even if one or more of eight key countries refused to join.

that it will not sign the treaty, which it says does not go far enough in calling for total nuclear disarmament. It is therefore possible that the treaty may never come into force. Pakistan has said it will not ratify the

British officials said yesterday that there was "no give at all" in

liferation Treaty or regional disarmament pacts.

Mr Ramaker has not included India's call for a commitment to scrap all nuclear weapons within 10 years in his draft treaty. But he has conceded China's demand that a treaty review conference consider the case for "peaceful" nuclear explosions.

Deadline ticking away, Page 4

They are insisting instead that the treaty be ratified by all five declared nuclear weapons states - the US, Russia, Britain, France and China - as well as by India, Pakistan and Israel, the three "threshold" states capable of huilding nuclear weapons. India has already indicated

has said it will not ratify the accord unless India does.

Most of the total of about 60 countries taking part in the United Nations talks are backing an unofficial "waiver" proposal by Mr Jaap Ramaker, the Dutch chairman, which he presented last Thursday.

His plan would have allowed states that had ratified the treaty to being it into force by a two-

to bring it into force by a twothirds majority of those who had ratified after five years. Nations that objected could delay afterence to its provisions until their conditions, such as ratification by another country, were met. However, the "waiver" pro-

posal was rejected out of hand by Britain and Russia while China and Pakistan have since made

clear their opposition. Consequently Mr Ramaker's revised treaty draft, presented yesterday, retains the previous formula which requires all 37 countries with nuclear test monitoring stations to ratify. The 37 include the five nuclear powers and the three threshold states.

the UK position, and denied assertions by disarmament groups that Britain was deliberately placing the talks in jeopardy because it did not want the test ban to take effect. "The only point in having a treaty is if all eight are included", said one UK official, noting that other countries were already banned from testing by the Nuclear Non-Pro-

THE LEX COLUMN

Speculative proposal

70 1995

towards personal savings and away

from pay-as-yon-go state pension

eystems. Morgan Stanley is well

The deal fits well with Morgan Stan-

ley's existing fund management business, which is mainly institutional.

There is plenty of scope for additional

leverage for its underwriting, dealing and institutional businesses: for exam-

e, Morgan Stanley has a strong capa-

bility in emerging markets, and an

BTR is in a bind. The strategy set

out by new man at the top Mr Ian

Strachan - reshuffling the large and

widely dispersed portfolio to concen-trate on markets where BTR can com-

mand a dominant position - sounds

sensible enough. BTR has plenty of

to provide an attractive core, and its

investment programme should yield a

surge in sales growth in 1997 and 1998.

But the current level of capital expen-diture looks unsustainable, given the

need to meet a hefty dividend bill of

The problem is likely to be com-

ounded by BTR'e weak share price,

which means existing warrants may

not be exercised. But in strategic

ceeds from warrants to plug the divi-

2650m out of a shrinking cash flow.

good, well-run engineering busines

Morgan Stanley win mandates.

rival like Morgan Stanley.

placed to benefit from this trend.

Source: FT Extel

established, making European monetary union work is going to be no joke. Getting through the transitional period from 1999, when national currencies still exist but are "irrevocably fixed" against each other, could be even trickier. Understandably, after the searing experience of the exchange particularly worried that speculators could pull the new system apart. Nonetheless, the latest safety-first wheeze being cooked up in the European Monetary Institute - which would make all new contracts unen-forceable if they do not reflect the official exchange rates - is wrong-headed. It needs to be rethought.

For a start, the plan is wrong in principle. Governments have no business interfering in contracts between willing buyers and sellers. But it is almost certainly unworkable as well. Attempts by governments to prevent buyers and sellers of any commodity getting together have rarely been par-ticularly successful. In this case, if speculators really want to have a crack at derailing Emu, they can perfectly well do so from a jurisdiction which does not recognise European

In reality, the problem is likely to be unavoidable as long as the plans for the transitional period remain a fudge – there is supposed to be a single currency, but national currencies are to persist as part of it. This has a political benefit it is designed to kid the German population that it is not really losing the D-Mark. But governments have to accept that it has a price as well. While national currencles remain, investors are bound to continue to gamble on their relative

Morgan Stanley

Every well-dressed international investment bank currently wants to be seen around town this season with a new asset management team on its arm. Of course, this fashionable appendage does not just look good - it also helps mitigate the tiresome effect of volatile earnings on the share prices of investment banks. But Morgan Stanley's \$743m acquisition, plus debt, of Van Kampen, the US mutual fund manager, looks like more than a whim

The price is not low, but it is more or less the market rate, at 14 times after-tax earnings and 2 per cent of funds under management. It will be neutral for earnings this year, but this is a growth business and future prospects are good given the global shift dend gap only exacerbates the under-

warrants into shares both increases the size of the dividend bill and dilutes Descapit Aviation earnings per share.

The dividend was not covered by Share price relative to the SBF 120 index:

cash last year, and, if maintained, there is little prospect that it will be either this year or next. To sort the problem out once and for all, the best solution is a dividend cut. While the City would not welcome this it would be easier for Mr Strachan to bite the bullet while he is still new. Coupled with a more detailed explanation of just how he plans to restructure the portfolio, it would certainly be tolerated. This may mean selling off good businesses in order to make the necessary investment in even better ones.

ent and

French aerospace

Dassault Aviation may not have wanted to marry state-owned Aérospatiale, but arm-twisting from the French state seems to have done the always in a strong position to dictate terms since it is the main buyer of Dassault's fighter jets; Mr Serge Dassault, the company'e chairman, could not be too intransigent given that Bel-gium wishes to extradite him in connection with alleged bribery charges. Despite Mr Dassault's weak negotia ting hand, the stock market believes he has secured a good financial deal

ability to place emerging market funds with retail investors will not only pro-vide a potentially profitable business Following a report yesterday in Les Echos, the French financial newspain its own right but should also help The only worry is that existing disper, Dassault Aviation's shares shot up so much they were suspended; the stock had already more than doubled tributors of Van Kampen products, such as Merrill Lynch and Smith Barney, may be less enthusiastic about since the start of the year. According to Les Echos, the Dasdistributing the products of a keen

sault family will receive a 27 per cent stake in the combined aerospace group. Given that the family owns half the company, this implies Dassault
Aviation as a whole will end up with a 54 per cent stake. Moreover, Dassault Systèmes, a computer business, will not be included in the merger. If value were determined by crude size, Das-sault would indeed have secured a good deal: more than half the company for less than a quarter of the turnover. Looking at profits, though gives a completely different picture: Dassault was profitable last year while Aerospatiale lost FFr981m (\$188.6m). Mr Dassault's best hopes are that Aérospatiale will clear up some of its red ink by pressing ahead with cost-cutting - and that the Dassault deal will be the first step in a broader restructuring of the European server space industry.

> Additional Tex comment on the Woolwich, Page 22

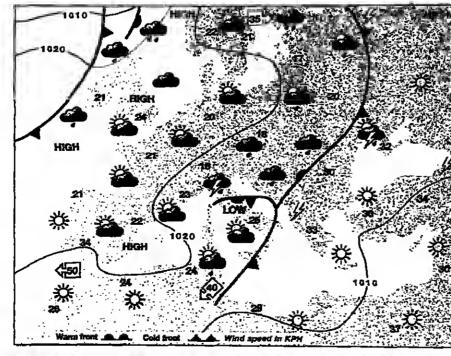
Europe today

Sunny intervals will bring a warming trend to the Benelux. Cloud and patchy drizzle mixed with rain will linger from Switzerland to Hungary. France will have sunny periods and afternoon showers may develop over the French Alps. Northern Italy and parts of the Balkans will have thunder storms but southern regions will remain dry with plenty of

sun. Greece, Turkey and Cyprus will be dry, warm and sunny. Sunny periods over much of the UK will boost temperatures to between 20C and 24C but the coasts will be cooler. A frontal system will reach treland and Scotland around noon, preceded by thickening cloud

Five-day forecast

A weakening cold front will produce showers over England tomorrow but clearing will spread east during the afternoon. A slight warming trend will continue over the wester part of the continent but it will become unsettled and cooler at the end of the week. Colder air will meet warm air over southeastern Europe, resulting in showers and thunder storms, Italy will become clearer later in the week



TODAY'S TEMPERATURES



Lufthansa

Caracas Cardiff Casabla Chicago Cologne Dekar Dalles Delhi Dubdin Dubdin Oubrover No other airline flies to more cities around the world.

Fare
Frankfurt
Geneva
Gibreiter
Glasgow
Harnburg
Helsinkt
Hong Kong
Honokulu
Jakarta
Jersey
Karachi
Kuwait
L. Angeles
Las Pakmai Majorse
Majorse
Majorse
Majorse
Manita
Menico City
Manita
Menico City
Manita
Menico City
Manita
Mistra
Mostroel
Mostroel
Mostroel
Mostroel
Naples
Nassau
Nas

28 Rangoon
25 Reykjavík
29 Rome
22 Rome
33 S. Fraco
16 Seoul
22 Singapore
33 Stockholm
23 Strasbourg
21 Sydney
25 Targler
16 Jel Aviv
23 Tokyo
25 Toronto
31 Vencouver
31 Vencouver
31 Vencouver
31 Vencouver
32 Venns
35 Warsaw
22 Westington
16 Wirnipeg
16 Zurich 31286248303218827428238201717331288

Strength and expertise in German M&A

DyStar Textilfarben Beyer AG

acquired a 60,15 per cent shareholding in

a subsidiary of Walter Bau-AG acquired a 75 per cent Group Limited (Austr

Fried. Krupp AG Hoesch-Krupp AST S.p.A. through the acquisition of a 50 per cent stake in FAR S.LL We advised Fried. Krupp AG in this transaction.

Hoochst AG

sold its 77 per cent shareholding in Hans Schwarzkopf GmbH

disposed of its ABS/SAN Styr. Plastics business to Bayer AG

Litton Industries Inc. Teldly GmbH

We advised Monsanto Compa

FUBA Hans Kolbe & Co.

We advised the vendo

RMC Group p.l.c. acquired the remaining 36.4 per cent interest in its subsidiary

We advised Securitas A.B.

Persetel Holdings Ltd. acquired a 40 per cent shareholding in BASF AG

We advised Personal Holdings Ltd. in this transaction. May 1996

Deutsche Morgan Grenfell



Storts, Page Lada manafact alowh migraproductive re-Deutsche Teich

Barger 1

7.75

metric in .

IBM to steel at a

Mycamed lates

tention of

Ara sets price !: pried off ... Dia Tue k. nest in the first AOL chief quats : US hurdle for BA

The World Barry Carlotte 5